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AEGION IS BUILDING ON A STRONG FOUNDATION — WE ARE RESILIENT BY DESIGN.

If your foundation is strong, you can build almost anything on it.

At Aegion, we have spent the past five years building such a foundation. A culture that puts the safety of our employees, customers and communities first and foremost is at its core. Our foundation has been balanced by adding more recurring revenues in a mix of growth markets to our stable of project-based work. While firmly rooted, our foundation is adaptable, allowing for flexibility in the way we approach the marketplace throughout the world. And it is constantly renewing itself through innovation.

In 2014, we continued to solidify this foundation. Most notably, we realigned our business platforms to be more market facing. This new alignment allows us to move quickly to recognize our customers' signals so we can better respond with the **infrastructure solutions, corrosion protection** and **energy services** they need. It also positions us to operate more efficiently and execute more effectively. It refines the way we think about our customers and relate to them. It helps ensure that our foundation is not only strong, but also dependable and lasting.

We are aiming for consistent growth. By design.

FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010
(IN THOUSANDS, EXCEPT PER SHARE DATA)	FOR THE YEARS ENDED DECEMBER 31				
Revenue	\$1,331,421	\$1,091,420	\$1,016,831	\$925,766	\$905,259
Gross Profit	279,983	247,021	243,754	202,679	227,537
Operating Income (Loss)	(19,812)	66,882	81,803	45,707	87,525
Income (Loss) From Continuing Operations	(33,320)	50,812	54,374	27,134	60,973
Income From Continuing Operations (non-GAAP) ¹	52,202	49,451	57,064	37,460	60,973
Net Income (Loss)	(37,167)	44,351	52,661	26,547	60,462
Diluted Earnings (Loss) Per Share					
Income (Loss) Per Share From Continuing Operations	(\$0.88)	\$1.30	\$1.37	\$0.68	\$1.55
Income Per Share From Continuing Operations (non-GAAP) ¹	1.37	1.27	1.44	0.94	1.55
Net Income (Loss) Per Share	(0.98)	1.13	1.33	0.67	1.53
Operating Cash Flow From Continuing Operations	\$81,868	\$88,065	\$110,951	\$22,149	\$53,475

¹For 2014, 2013, 2012 and 2011, amounts exclude restructuring and impairment charges, reserves for disputed and long-dated receivables, acquisition-related escrow settlements, acquisition-related expenses, prior debt redemption expenses and joint venture and divestiture activity (non-GAAP); see reconciliation Page A-1

DEAR FELLOW STOCKHOLDERS:

I was named President and Chief Executive Officer of Aegion on October 6, 2014 after filling the role on an interim basis since May. The last 10 months have been a period of positive change for both Aegion and its outlook. By implementing a realignment and restructuring program last October, we positioned Aegion to achieve sustainable growth going forward and addressed certain challenges we have faced in recent years. I am pleased to take this opportunity to express my excitement, confidence and optimism about the future of Aegion.

Let me begin with safety and accountability. The Aegion management team and I are committed to these two values as each demonstrates how we are operating the business.

SAFETY

Aegion had an industry-leading safety record entering 2014, as measured by OSHA statistics, and we made further improvements during the year. We need a best-in-class safety culture to attract and retain talent. We need it to grow our relationships with customers and open new markets. We need it to improve productivity and lower costs. We need it to be good stewards in the communities where we live and work. However, safety is our highest priority because it is simply the right thing to do.

Despite a strong record overall, several serious employee accidents in 2014 are each a poignant reminder to the entire organization that safety is a continuous improvement process with no endpoint. Aegion employees are accountable for their own and others' safety—that's our mantra.

ACCOUNTABILITY FOR RESULTS

Every Aegion employee is also accountable for the results that drive the value we deliver to our customers, stockholders, employees and the communities we serve. We missed the expectations we set for our financial results in 2014. The management team and I are not satisfied with this result and have been working to address the issues behind it.

We took major steps in October toward better leveraging our strengths, reducing ongoing expenses and improving execution in ways that produce both top- and bottom-line growth. First, we decided to exit the municipal cured-in-place pipe (CIPP) contracting businesses

in France, Switzerland, India, Hong Kong, Singapore and Malaysia. Municipal wastewater funding in those markets is not consistent enough for a specialty, single-application contractor like Aegion to achieve stable earnings. We will instead sell our high-quality CIPP products and technical services to local general contractors.

Second, we restructured our Louisiana Bayou pipe coating facility to significantly lower its breakeven point while maintaining the capacity needed to compete for the large deepwater oil projects that are expected to be developed in the Gulf of Mexico over the next several years.

Third, we integrated Fyfe/Fibrwrap and Insituform to leverage Insituform's 3,000+ North American municipal clients, operational footprint and back office capabilities with Fyfe's excellent Tyfo® Fibrwrap® fiber-reinforced polymer system.

Finally, we reconfigured our organization into three new platforms that each address unique key market trends:

INFRASTRUCTURE SOLUTIONS	CORROSION PROTECTION	ENERGY SERVICES
Fyfe/Fibrwrap, Insituform	The Bayou Companies, CCSI, Corpro, CRTS and United Pipeline Systems	Brinderson

The realignment and restructuring program is expected to generate annual pre-tax savings of \$8 to \$11 million, some of which we captured in the fourth quarter of 2014, and improve our return on invested capital by approximately 100 basis points. While these actions will come at an estimated cash cost of \$11 to \$14 million, the anticipated savings will generate a 15-month payback on the cash cost and, more importantly, create a more predictable and stable earnings profile for our future.

Taken together, our realignment and restructuring as well as long-term asset impairment charges totaled \$102 million in 2014. While the realignment and restructuring program is mostly complete, we expect to incur a final \$5 to \$8 million of trailing cash costs in 2015.

These actions are improving our bottom line. In the second half of 2014, we delivered non-GAAP earnings per share of \$0.91, the highest since 2010. The fact that we achieved these results amid the distractions of our realignment and restructuring program is a tribute to the focus and perseverance of the entire management team.

The year included many bright spots and encouraging signs for Aegion's future. Consolidated revenues increased 22 percent to \$1.33 billion in 2014. While GAAP-reported operating income and earnings per share were negative due to the realignment and restructuring program and long-term asset impairment charges, non-GAAP results tell a more encouraging story. Aegion's operating income grew 17 percent to \$85 million, and earnings per share grew 8 percent to \$1.37 in 2014, even without excluding the significant contributions from an acquisition-related earn-out reversal included in 2013 results and the full-year benefit of a joint venture sold in March 2014. Execution improved across Aegion during the year as well.

INFRASTRUCTURE SOLUTIONS PLATFORM

The Infrastructure Solutions platform had an outstanding year. Compared to 2013, revenues grew 7 percent to \$567 million, and operating income grew 55 percent to \$44 million. Operating margins expanded by over 200 basis points to 8 percent. Insituform North America delivered a third straight year of increasing revenues and profits. Fyfe/Fibrwrap recovered as expected and turned a profit on a non-GAAP basis. The platform's momentum should continue in 2015 based on the positive benefits of the realignment and restructuring program, strong backlog and a growing sales funnel.

CORROSION PROTECTION PLATFORM

The Corrosion Protection platform faced some challenges in 2014 as revenues grew slightly to \$458 million and operating income declined 26 percent to \$27 million. The platform benefited from an exceptionally strong year in the Canadian market. We successfully reduced losses at the Louisiana Bayou facility, even though project timing issues resulted in lower revenues compared to the prior year. Market activity for United Pipeline Systems fell in 2014 due to the completion of several large projects in 2013 and unexpected delays in project activity.

ENERGY SERVICES PLATFORM

The Energy Services platform enjoyed success in 2014, benefiting from \$70 million in incremental revenues from new maintenance contracts awarded in late 2013, primarily for the downstream West Coast refining market. Brinderson grew revenues approximately 40 percent on a pro forma basis to \$306 million. While we hoped for a stronger year in 2014, Brinderson's performance was in line with our expectations at the time of the acquisition in 2013.

STRATEGY

Our strategy is to provide innovative and engineered solutions that strengthen and maintain critical infrastructure in targeted markets. Through our technologies and contracting services, we work continuously to improve

our execution to achieve ever-higher levels of customer satisfaction. Our local presence provides Aegion with a perspective on market requirements that we use to prioritize the development or acquisition of new products and services. We enhance margins through product manufacturing. The diversification of our services across our global end markets provides balance to our overall revenue and profit generation.

I am truly excited about Aegion's prospects for the future based on three factors that should drive continued profitable growth. The Company is exceptionally well positioned strategically to take advantage of key market trends in each of our platforms. We have a very experienced management team and the Company generates strong cash flow.

KEY MARKET TRENDS

Aging urban infrastructure will increasingly require rehabilitation and maintenance over the long term. While the pace of growth is often based on government funding, the market need results in a long-term stable growth opportunity for Aegion's Infrastructure Solutions platform and its market leading brands, Insituform® and Fibrwrap®.

Investment in pipeline infrastructure in North America is required to transport oil and gas from non-conventional fields, like the oil sands, the Gulf of Mexico deepwater reserves and the oil and gas shale reserves, to end markets in a safe and environmentally responsible manner. Our Corrosion Protection platform has a unique portfolio of market-leading brands like Bayou®, Corrpro® and United Pipeline Systems® to address many aspects of pipeline protection, including coatings, cathodic protection and linings.

With the **continued development of conventional oil and gas reserves**, North America will have competitive prices for refinery and petrochemical feedstock. The Energy Services platform has a unique value proposition based on its world-class safety and labor productivity programs that result in cost-effective maintenance, engineering, turnaround and construction services at our customers' refining, petrochemical and upstream oil and gas facilities.

In 2014, Aegion derived 43 percent of its revenues from work performed by our Infrastructure Solutions platform to rehabilitate and strengthen municipal sewers and other aging urban infrastructure. The remaining 57 percent of our total revenue was from the energy and mining markets, two thirds of which was generated through protection, rehabilitation and maintenance services to midstream and transmission pipelines and downstream refining facilities.

The recent decline in oil prices creates a headwind in 2015 as approximately 17 percent of our revenues in 2014 were derived from infrastructure development to support upstream oil and gas production. Most of the upstream exposure is within the Energy Services platform with a more modest amount in the Corrosion Protection platform. 2015 is a year when the balance of the Aegion portfolio should temper the impact of the current volatility in the upstream oil and gas market. Throughout the year, we will continually assess the likely impact low oil prices may have on our upstream business, especially in the second half of 2015 where, at the time of this letter, we lack visibility.

MANAGEMENT TEAM

The realignment of our operations allowed us to consolidate our platform leadership. Tom Vossman, who steered Insituform to exceptional profit growth over the last two years, is leading the Infrastructure Solutions platform. Greta Voss, who successfully led Corpro, and more recently Bayou, now leads the Corrosion Protection platform. Russell Conda continues to lead Brinderson and now the Energy Services platform. In addition to the wealth of industry experience these leaders bring to their platform, all three joined or, in Tom's case, rejoined Aegion over the past three years. We are depending on their fresh, strategic perspectives as the entire organization thinks about new ways to address broader market needs.

CASH GENERATION

Aegion ended 2014 with a record \$175 million in cash on our balance sheet. We plan to pursue an acquisition strategy focused on strengthening our existing platforms to enhance organic growth. We also plan to use our strong cash position to pay down debt and implement a \$20 million share repurchase program in 2015.

LOOKING AHEAD

We must become more customer focused. With our foundation of improved execution and our new platforms in place, we have the opportunity to build a strong, integrated sales and marketing organization to accelerate our growth. Instead of deploying a product-focused sales force, we are seeking to create trusted end-market experts to help solve customer problems on a local, regional or global basis. We believe this approach, along with our engineering expertise, creates a competitive advantage and allows us to develop even deeper customer relationships. This customer focus must extend from our sales and marketing group to our entire organization.

We must enhance our already strong market position.

Our Infrastructure Solutions and Corrosion Protection platforms' scale and direct distribution channels provide access to a ready-made customer base for products they introduce to their markets. We intend to capitalize on these strong market positions by expanding our portfolio to deliver more comprehensive, higher-value solutions. That means innovating new products as well as pursuing acquisitions that help meet this strategic priority.

We must drive organic growth. Profitable growth and margin improvement are always a priority. In 2015, we will focus especially on growing our existing businesses, based on achieving top-line and operating income growth through organic excellence. While we are placing less urgency on inorganic growth, the strength of our balance sheet gives us the financial leverage we need to take advantage of any bolt-on, tuck-in or larger opportunities that emerge. I believe our pursuit of these priorities will produce a stronger company with enhanced visibility, improved performance and more predictable outcomes.

RESILIENT BY DESIGN

Aegion is a diversified company serving multiple end markets with a portfolio balanced toward predictable and recurring revenues. Our diversity gives us the strength to withstand current energy pricing challenges.

I believe the best years for Aegion are yet to come. We've established a strong team, hold leading positions in attractive markets and have the balance sheet and cash flow to support our strategy for growth. We are building on the solid foundation established over the last decade. With strong market-facing platforms, we are entering a new phase where we can achieve consistent and profitable organic growth and effectively balance and meet the expectations of our customers, stockholders, employees and the communities where we operate.

These results are within our reach. I took this job because I believe in Aegion's potential, and I want to be part of it. Success in our business requires an absolute insistence on safety, a culture built on accountability for results and a deep understanding of customers' needs. These ideas form some of the core values that govern my management philosophy.

The CEO transition is over, and I am very excited about the future of our Company and our industries. I have confidence in our plan and in the people who will be executing it and look forward to reporting our progress to you a year from now.



Charles R. Gordon
President and Chief Executive Officer



CHARLES R. GORDON

Charles “Chuck” Gordon had been a member of the Aegion Board of Directors since 2009 before accepting the assignment as the Company’s President and Chief Executive Officer in 2014. He has more than 20 years’ experience in municipal and upstream markets. He served most recently as CEO of Natural Systems Utilities, LLC, a distributed water infrastructure company. Prior to that, he held similar roles at Nuverra Environmental Solutions, Inc., which provides environmental services to the oil and gas industries, and Siemens Water Technologies, a business unit of Siemens AG, a world leader in products, systems and services for water and wastewater treatment for industrial, institutional and municipal customers.



DAVID A. MARTIN

Executive Vice President and Chief Financial Officer



DAVID F. MORRIS

Executive Vice President, General Counsel and Chief Administrative Officer



RUSSELL CONDA

President, Energy Services Platform



GRETA N. VOSS

President, Corrosion Protection Platform



THOMAS E. VOSSMAN

President, Infrastructure Solutions Platform



SAFER BY DESIGN

Our safety programs have resulted in a safety record that outperforms industry standards.

Aegion is, by design, continually focused on becoming one of our industries' safest companies.

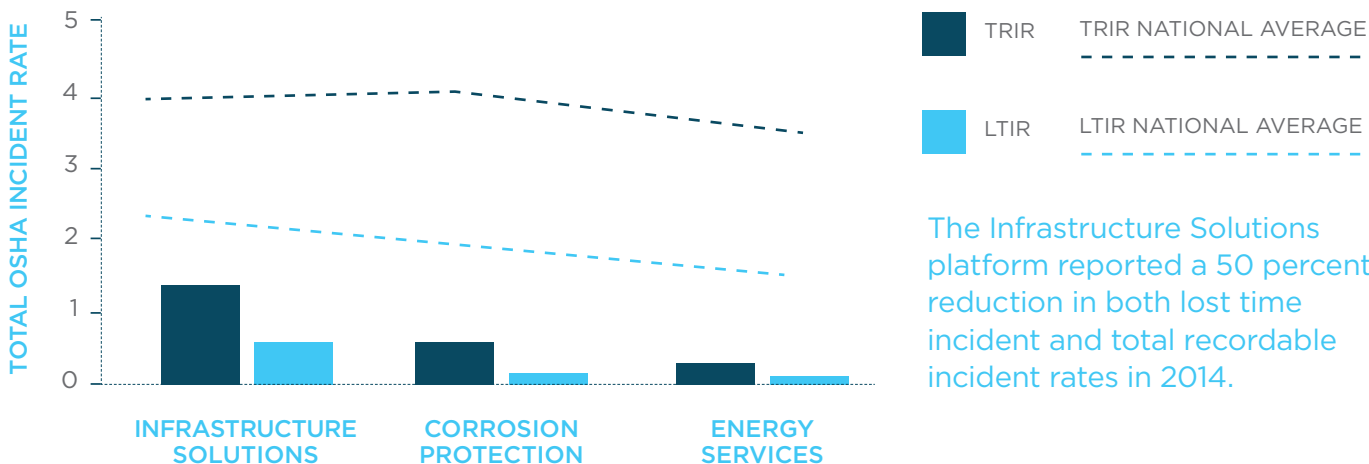
Our award-winning safety programs are based on the premise that all safety incidents can be prevented. By systematically identifying and eliminating potential hazards from the workplace, strictly enforcing safety procedures and continuously monitoring safety performance, a majority of our locations and work crews are proving that premise to be true. **In 2014, for example, more than 80 of our locations and approximately 50 of our work crews throughout the world had zero recordable injuries.**

That does not mean there are fewer risks in refineries or around oil, gas and sewer pipelines than in other work environments. There are more. Without careful management, these hazards have the potential to do great harm to people and the environment.

Maintaining a strong safety culture is our first and highest priority. It is the right thing to do for our employees, our customers and the communities where we work. Customers demand that we have a strong safety culture to work in places such as refining, upstream and nuclear facilities and on municipal projects.

An injury-free workplace is the goal of the behavior-based safety observations, hazard identification programs, audits and other safety interventions we have implemented company-wide. These efforts are working, resulting in a reduction in the frequency of incidents in 2014 as well as lower costs. With a combined experience modification rate (EMR) of 0.92, which impacts Aegion's workers' compensation insurance premiums, and total incident rates below industry averages, Aegion today outperforms most companies in the industries we serve.

SAFER IS BETTER



CORROSION PROTECTION PLATFORM RAISES THE SAFETY BAR

Every Aegion business puts safety first. Our increased focus on identifying potential work hazards and leading safety indicators was especially noticeable in our Corrosion Protection platform, which posted a 50 percent reduction and a record low in its lost time incident rate (LTIR). This platform also matched its record low total recordable incident rate (TRIR) from the year before and experienced its lowest workers' compensation losses in the platform's history, a 21 percent decrease over 2013.*

These record results were fueled by:

- The Bayou Companies, which achieved its lowest TRIR in 20 years, and surpassed the 1 million man hour mark without an OSHA lost time incident in January 2015

- Corpro, which achieved 3.9 million man hours—and counting—without an OSHA lost time incident in 2014, and whose U.S. subsidiary posted its lowest TRIR in company history
- United Pipeline Systems, which passed the 2 million man hour mark without an OSHA lost time incident in 2014

* The Corrosion Protection platform consists of The Bayou Companies, CCSI, Corpro, CRTS and United Pipeline Systems. These statistics do not include Brinderson, which moved to the Energy Services platform in 2014 and has tracked its safety performance separately since its 2013 acquisition.

Workers' compensation and automobile losses in the Corrosion Protection platform dropped more than 84 percent between 2010 and 2014.





2

DIVERSIFIED BY DESIGN

By realigning our businesses, we are better positioned to broaden customer relationships.

When a car's wheels are in perfect alignment, it runs more smoothly and takes less power to go faster and farther. And so it is, too, with companies. Those whose operations are fine-tuned and balanced across diverse, high-growth markets are better able to navigate bumps in the road that arise when markets fluctuate.

Achieving that equilibrium was the reason we began our diversification into energy and commercial end markets in 2009. It also drove our more recent strategy to balance our project-based work with more predictable annual contracts. In 2014, we took the next logical step by realigning our businesses into three market-facing platforms from which we can better view the broader markets and, whenever possible, integrate our products into complete solutions that address the needs of our customers.

Our businesses are now all in alignment, creating upside potential for growth. Our challenge is to apply our more optimized market-facing structure and its integrated management, sales and marketing teams in ways that create organic growth and improve our operating performance.

INFRASTRUCTURE SOLUTIONS

The Infrastructure Solutions platform's markets include global municipal water and wastewater, industrial pipelines, commercial structures, transportation and other infrastructure in North America, South America, Asia-Pacific and Europe. Aegion delivers solutions that rehabilitate, strengthen and provide seismic protection to this infrastructure.

Our aim is to expand our 3,000+ municipal relationships by introducing them to Tyfo® Fibrwrap®, a highly engineered, fiber-reinforced polymer solution. We are using shared project management, customer relationship management, manufacturing and other best practices to further improve margins. More stringent regulations in combination with aging structures continue to drive demand for infrastructure rehabilitation and renewal throughout the world.

CORROSION PROTECTION

The high-value products that flow through oil, gas and mining pipelines are exposed to corrosion and internal flow abrasion. To protect their contents and the environment, these pipelines, as well as related storage structures, require corrosion monitoring and prevention, internal flow assurance and a range of protective coatings and linings.

The quality and reliability of Aegion's pipeline protection technologies and services have made our brands industry leaders. New pipe construction, coupled with safety and regulatory needs, drive their demand.

ENERGY SERVICES

Refineries and other oil and gas facilities increasingly look to outside contractors to provide facility maintenance, engineering, procurement, construction and turnaround services through long-term contracts. We are now leveraging our strong relationships, high-quality performance and best-in-class safety record on the West Coast to expand our presence outside of California.

Desire for productivity improvements, safety and cost control all drive demand for our services.

AEGION

Each of these businesses is equipped with complete solutions and industry-leading brands and serves end markets with historically strong growth rates. Each has sufficient share to be known and respected, but there is room for growth. By design, we are committed to growing these global platforms, both organically and inorganically, and enjoying the benefits of scale.

CREATING BALANCE TO IMPROVE PREDICTABILITY OF RESULTS

2014 REVENUES
60% RECURRING 40% PROJECT-BASED

OUR PLATFORMS ARE NOW MARKET FACING

PLATFORM	END MARKETS	SHARE OF AEGION 2014 REVENUES
INFRASTRUCTURE SOLUTIONS	Municipal water and wastewater pipelines, industrial pipelines and other infrastructure	43%
CORROSION PROTECTION	Oil, gas and mining pipelines and structures	34%
ENERGY SERVICES	Upstream oil and gas extraction and downstream refining and petrochemical facilities	23%



3

INNOVATIVE BY DESIGN

Our engineering expertise and strong customer relationships are yielding innovations that strengthen our ability to address changing market needs.

Aegion has a competitive advantage that sets us apart: we know our customers. Personally.

Today we have over 100 sales personnel and many more field employees who have direct contact with our end users on a daily basis. This direct channel to customers means there is essentially no “middle man” separating us from the people who purchase and use our products and services.

These important facts drove our decision to shift from product-facing to more market-facing business platforms in 2014. This is about more than bundling our current products and services. The relationships and expertise we’ve developed give us access to customer needs and insights into the innovations needed to fill any gaps.

This information is invaluable to our more than 200 engineers. With their help, we are aggressively looking at our markets and seeking ways to refresh and expand the solutions we offer, either through our own innovations, or through acquisitions and technology licensing. We are especially interested in finding solutions that cut across all we do and integrating them with our existing products.

By increased direct engagement with end users to create the specifications for our products, we have the opportunity to create greater awareness and preference for Aegion products, services and technologies.

We believe this approach creates for us an even greater competitive advantage. It allows us to build even deeper customer relationships as our focus turns to developing complete solutions for our customers’ most critical needs.

CHAIRMAN'S AWARD FOR INNOVATION GOES TO NUCLEAR POWER SOLUTION

Aegion was built on innovation. The breakthrough technologies our founders invented were industry creators. Our future, likewise, is secured through innovation.

To stimulate and reward innovation that improves our value and service to customers, we instituted the Chairman's Award for Innovation in 2014. The inaugural prize went to a pair of engineers, Tomás Jiménez and Scott Arnold, who developed a new, first-of-its-kind way to rehabilitate and strengthen buried piping systems found in nuclear power plants.

Leaks in these pipes—which are notoriously difficult to inspect and rehabilitate—can result in radiation releases and public safety concerns. Team Jiménez-Arnold's pressure barrier solution provides leak prevention and pipe strengthening, and it can be implemented without removing the original piping system. Without it, a nuclear plant's only alternative is to dig up and replace an old system—at three times the cost and significantly increased environmental risk.

The winning solution has been peer reviewed and approved, and has been successfully applied in the nuclear power industry. It is one of many examples of innovation resulting from our renewed emphasis on new materials and systems development. Several more technologies are being evaluated for

Tomás Jiménez, P.E., (right) and Scott Arnold, P.E., won the 2014 Chairman's Award for Innovation. Their fully structural pressure barrier replacement for piping systems in the nuclear industry was one of 12 creative entries in Aegion's first innovation competition.

market need and business impact through the stage-gate process and will undergo full-scale testing in 2015. Among them are solutions that demonstrate cross-platform collaboration such as:

- New corrosion and flow assurance coatings for high-temperature, deepwater pipeline construction;
- a combined steel reinforced concrete repair/reinforcement and corrosion protection system;
- camera and control systems improvements for robotic equipment used for cured-in-place pipe; and
- a premier pressure pipe rehabilitation solution for small-diameter water and wastewater lines.





4

NIMBLE BY DESIGN

We tailor our technologies and services to the changing needs of the geographic markets we serve.

Experienced sailboat captains say it takes two things to win a sailing match. First, you must find the wind, and then you must sail your boat better than your competitors.

Our planning process helps us do both. It gives us a disciplined method for identifying attractive end markets and opportunities. It then allows us the flexibility to adjust our sails en route.

Our nimbleness is what helped us improve margins in our North American wastewater pipeline rehabilitation business, where investments in people and best-in-class systems have significantly improved bidding estimates, crew efficiency and market intelligence. Higher and more predictable municipal expenditures have provided the wind we need to drive top-line revenue growth. We are now leveraging our market leadership and best practices across the platform as we seek to deliver broader solutions and accelerate sales growth.

The value of our approach was demonstrated in our 2014 decision to adjust our strategy in some international markets and end Insituform's contracting activities in France, Switzerland, India, Hong Kong, Singapore and Malaysia, and instead offer products and technical services through third-party sales—a proven, profitable alternative in nations where operational, governmental and market risks make it difficult to compete and operate as a contractor.

While we closed some doors, we opened a new one when we launched our new Middle East headquarters in Dubai in 2014. This next step in our plan to establish a stand-alone Middle East business allows us to target national oil companies and other end users that need our solutions. We must demonstrate similar cross-platform discipline as we explore additional ways to serve customers elsewhere in the world.

GEOGRAPHIC DIVERSITY

INFRASTRUCTURE SOLUTIONS

North America, Europe, Asia, Australia and South America

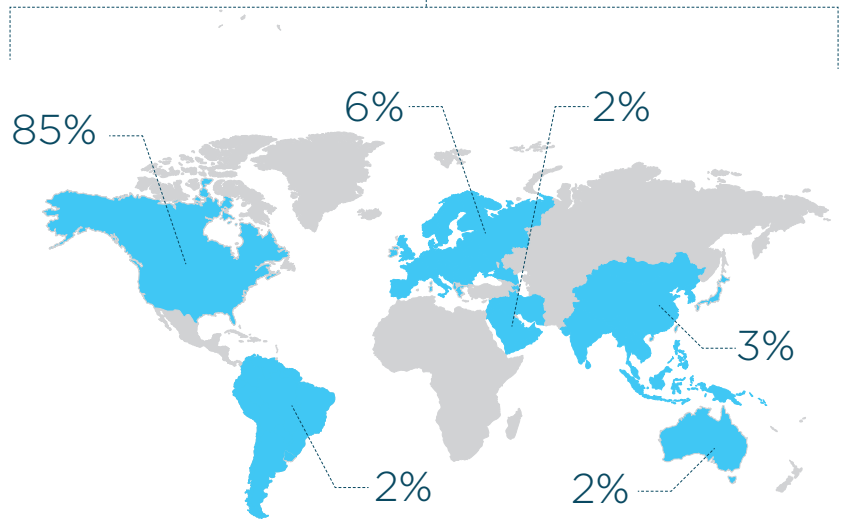
CORROSION PROTECTION

North America, the Middle East, Europe, Asia-Pacific and South America

ENERGY SERVICES

North America

2014 AEGION REVENUES



THE NEW BAYOU

Less is now more at Bayou, the company in Aegion's Corrosion Protection platform that provides pipe coating and insulation technologies in the United States and Canada. The largest of its facilities, its site in New Iberia, Louisiana, underwent rightsizing in 2014 to prepare for the estimated \$450 million of identified onshore and offshore coating projects emerging from the Gulf Coast over the next several years. In addition to consolidating three fusion bond epoxy coating plants into one, Bayou also invested \$20 million in a state-of-the-art insulation coating facility equipped for deepwater pipe coating opportunities. Taken together, these actions strengthen the Louisiana facility's ability to address future needs

while significantly improving its profitability profile. By rightsizing the facility's cost structure, we have also significantly reduced the revenues required to break even.

Today, the New Iberia campus offers a full suite of fusion bond epoxy, concrete and thermal insulation pipe coating products. More importantly, it demonstrates Aegion's agility in flexing up or down to accommodate market cycles. The facility's improved operating efficiency is expected to drive market share growth and margin improvement.



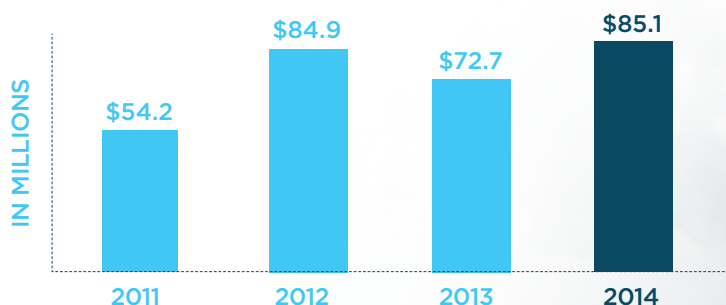
5

GROWING BY DESIGN

The operating performance Aegion delivered in 2014 lays the foundation for future growth.

In 2014, Aegion reached a turning point. After five years of pursuing a diversification strategy, we now find ourselves effectively competing in attractive end markets that present opportunities for top- and bottom-line growth. Our efforts continue to result in improved project management, cost control and execution. Although we expected 2014 to be a stronger year, we succeeded in improving operating performance.

AEGION OPERATING INCOME*



*excluding restructuring and impairment charges, acquisition-related expenses, reserves for disputed and long-dated receivables and acquisition-related escrow settlements (non-GAAP)

We now must leverage what we've built, including our market-facing platforms, to accelerate growth. Instead of deploying a product-focused sales force to sell across a range of applications and end markets, we are breaking down barriers and transforming our sales force into end-market experts who can leverage our products across companies and platforms and who our customers can trust to solve their infrastructure problems.

Our focus on sustainable growth opportunities should allow us to achieve constant growth. We have the critical mass, solutions, expertise and customer intimacy to further improve our performance and grow our Company. **By design.**

A CASE IN POINT: IT'S WORKING

In 2014, our Brinderson and Fyfe/Fibrwrap companies worked together to prevent a hydrocarbon leak in a California refinery.

The walls of a flare header system at the refinery were found to be thinning in spots. After receiving an estimate to perform a welded repair on the header, refinery personnel considered an alternative repair method suggested by Brinderson, which has a maintenance contract at this facility. The alternative: a carbon fiber-reinforced polymer solution developed by Fyfe/Fibrwrap that could be engineered and installed for less than one-third the cost of the original solution.

After careful evaluation to ensure the solution met the company's process safety requirements, refinery personnel selected the Fibrwrap® solution, which was successfully installed in September 2014.





RESILIENT BY DESIGN

Aegion is resilient today
because we are, by design:

SAFER.

By identifying and eliminating potential workplace hazards, strictly enforcing safety procedures and continuously monitoring safety performance, we have achieved safety programs that outperform industry standards.

DIVERSIFIED.

The realignment of our businesses into three market-facing platforms has resulted in a portfolio balanced across diverse, high-growth markets that offer both project-based work and more predictable recurring revenue streams.

INNOVATIVE.

Our strong customer relationships give us insight into emerging market needs—a competitive advantage we can capitalize on when innovating new products. This allows us to provide solutions for our customers' mission-critical needs.

NIMBLE.

By leveraging our market-leading positions, sharing best practices, tailoring our solutions to address changing needs and improving crew efficiencies, we have the ability to explore new and better ways to serve customers throughout the world.

GROWING.

We today have the critical mass, solutions, expertise and customer intimacy to accelerate both top- and bottom-line growth.

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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-10786

Aegion Corporation

(Exact name of registrant as specified in its charter)

Delaware

45-3117900

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

17988 Edison Avenue, Chesterfield, Missouri

63005-1195

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (636) 530-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Class A Common Shares, \$.01 par value

Name of each exchange on which registered

The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2014: \$875,688,030.

There were 37,340,824 shares of Class A common stock, \$.01 par value per share, outstanding at February 23, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

As provided herein, portions of the documents below are incorporated by reference:

Document

Registrant's Proxy Statement for the 2015 Annual Meeting of Stockholders

Part — Form 10-K

Part III

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Note About Forward-Looking Information

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. We make forward-looking statements in this Annual Report on Form 10-K that represent our beliefs or expectations about future events or financial performance. These forward-looking statements are based on information currently available to us and on management’s beliefs, assumptions, estimates and projections and are not guarantees of future events or results. When used in this report, the words “anticipate,” “estimate,” “believe,” “plan,” “intend,” “may,” “will” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Such statements are subject to known and unknown risks, uncertainties and assumptions, including those referred to in the “Risk Factors” section of this Annual Report on Form 10-K for the year ended December 31, 2014. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. In addition, our actual results may vary materially from those anticipated, estimated, suggested or projected. Except as required by law, we do not assume a duty to update forward-looking statements, whether as a result of new information, future events or otherwise. Investors should, however, review additional disclosures made by us from time to time in our periodic filings with the Securities and Exchange Commission. Please use caution and do not place reliance on forward-looking statements. All forward-looking statements made by us in this Annual Report on Form 10-K are qualified by these cautionary statements.

PART I

Item 1. Business

Unless otherwise indicated, the terms “Aegion Corporation,” “Aegion,” “the Company,” “we,” “our” and “us” are used in this report to refer to Aegion Corporation or one more of our consolidated subsidiaries or to all of them taken as a whole. We are incorporated in the State of Delaware. We maintain executive offices at 17988 Edison Avenue, Chesterfield, Missouri 63005. Our telephone number is (636) 530-8000 or toll free at (800) 325-1159. Our website address is Aegion.com. Our common shares, \$.01 par value, are traded on The Nasdaq Global Select Market under the symbol “AEGN”. Our fiscal year ends on December 31 of each calendar year.

Overview

We are a global leader in infrastructure protection and maintenance, providing proprietary technologies and services to: (i) protect against the corrosion of industrial pipelines; (ii) rehabilitate and strengthen water, wastewater, energy and mining piping systems and buildings, bridges, tunnels and waterfront structures; and (iii) utilize integrated professional services in engineering, procurement, construction, maintenance, and turnaround services for a broad range of energy related industries. Our business activities include manufacturing, distribution, maintenance, construction, installation, coating and insulation, cathodic protection, research and development and licensing. Our 2013 acquisition of Brinderson, L.P. and related entities (“Brinderson”) opened new markets for us through the maintenance, engineering and construction services for downstream and upstream facilities in the North American oil and gas market. Our products and services are currently utilized and performed in more than 80 countries across six continents. We believe that the depth and breadth of our products and services platform make us a leading “one-stop” provider for the world’s infrastructure rehabilitation and protection needs.

Our Company is primarily built on the premise that it is possible to use technology to extend the structural design life and maintain, if not improve, the performance of infrastructure, mostly pipe. We are proving that this expertise can be applied in a variety of markets to protect pipelines in oil, gas, mining, wastewater and water applications and extending this to the rehabilitation and maintenance of commercial structures and the provision of professional services in energy-related industries. Many types of infrastructure must be protected from the corrosive and abrasive materials that pass through or near them. Our expertise in non-disruptive corrosion engineering and abrasion protection is now wide-ranging, opening new markets for growth. We have a long history of product development and intellectual property management. We manufacture most of the engineered solutions we create as well as the specialized equipment required to install them. Finally, decades of experience give us an advantage in understanding municipal, energy, mining, industrial and commercial customers. Strong customer relationships and brand recognition allow us to support the expansion of existing and innovative technologies into new high growth end markets.

We originally incorporated in Delaware in 1980 to act as the exclusive United States licensee of the Insituform[®] cured-in-place pipe (“CIPP”) process, which Insituform’s founder invented in 1971. The Insituform[®] CIPP process served as the first trenchless technology for rehabilitating sewer pipelines and has enabled municipalities and private industry to avoid the extraordinary expense and extreme disruption that can result from conventional “dig-and-replace” methods. For the past 40 years we have maintained our leadership position in the CIPP market from manufacturing to technological innovations and market share.

In order to strengthen our ability to service the emerging demands of the infrastructure protection market and to better position our Company for sustainable growth, we embarked on a diversification strategy in 2009 to expand our product and service portfolio and our geographical reach. Through a series of strategic initiatives and key acquisitions, we now possess a broad portfolio of cost-effective solutions for rehabilitating and maintaining aging or deteriorating infrastructure, protecting new infrastructure from corrosion worldwide and providing integrated professional services in engineering, procurement, construction, maintenance, and turnaround services for upstream and downstream oil companies.

Recognizing that the breadth of our offerings expanded beyond our flagship Insituform[®] brand, which constituted less than half of our revenue in 2011, we reorganized Insituform Technologies, Inc. (“Insituform”), our parent company at the time, into a new holding company structure in October 2011. Aegion became the new parent company and Insituform became a wholly owned subsidiary of Aegion. Aegion reflects our mission of extending our leadership capabilities to furnish products and services to provide long-term protection for water and wastewater pipes, oil and gas pipelines and infrastructure as well as commercial and governmental structures and transportation infrastructure.

On October 6, 2014, our board of directors approved a realignment and restructuring plan (the “2014 Restructuring Plan”) which is intended to exit low-return businesses and reduce the size and cost of our overhead structure to improve gross margins and profitability in the long term (see Note 3 to the consolidated financial statements contained in this report).

We regularly review and evaluate our operating segments, which are the same as our reportable segments. During the fourth quarter of 2014, as part of our 2014 Restructuring Plan, we realigned our reportable and operating segments to be better aligned with our end markets by: (i) combining our former Water and Wastewater and Commercial and Structural businesses to form the Infrastructure Solutions segment; (ii) forming the Energy Services segment, which currently consists solely of our Brinderson operations; and (iii) creating the Corrosion Protection segment with the remaining businesses from our previous Energy and Mining segment. Each segment is led by a unique leadership team, which has an operating president who reports to the chief operating decision manager (“CODM”). The operating results and financial information reported by each of the new segments are evaluated separately, regularly reviewed and used by the CODM to evaluate segment performance, allocate resources and determine management incentive compensation. The realignment did not change the composition of our reporting units for goodwill impairment testing purposes. The current and all future SEC filings will reflect these new reportable segments, unless and until such time as there is a subsequent change in our reportable segments.

Our long-term strategy consists of:

Infrastructure Solutions – Aging urban infrastructure will require increasing rehabilitation and maintenance over the long term. While the pace of growth is often based on government funding, the market need results in a long term stable growth opportunity for Aegion and its market leading brands, Fyfe and Insituform. We will optimize our municipal rehabilitation and commercial infrastructure operations by: (i) focusing on operational excellence; (ii) utilizing business development personnel to identify the need for new products and technologies across the platform; (iii) adding new, innovative technologies and services through licensing or selective acquisitions; (iv) enhancing returns through backward integrating into product manufacturing; and (v) addressing the need in international markets with alternative business models, including licensing and tube sales.

Corrosion Protection – Investment in North America’s pipeline infrastructure is required to transport non-conventional oil and gas fields, like the oil sands, the Gulf of Mexico deep-water reserves and the oil and gas shale reserves, to end markets in a safe and environmentally correct manner. Corrosion Protection has a unique portfolio of technologies to address the requirement for many of the aspects of pipeline protection including cathodic protection, linings and coatings. The business development effort provides solutions to customers to enhance the safety, environmental integrity and reliability of our customers’ pipelines in the oil and gas market. We license or acquire new technologies based on the needs of our customers, those of which would benefit from our market-leading presence and distribution channel.

Energy Services – With the continued development of conventional oil and gas reserves, North America will have competitive prices for refinery and petrochemical feedstocks. Energy Services has a unique value proposition based on its world class safety and labor productivity program that results in cost effective maintenance services at our customers’ refineries and petrochemical facilities. Our market position is expanded through organic growth, targeted acquisitions or alliances to bring additional product or service offerings to current customers, broaden our geographic footprint to additional markets, and increased penetration in end-markets such as petro-chemical and natural gas.

Today our diverse portfolio of full service solutions includes:

Rehabilitation of Water and Wastewater Pipelines: Through our Insituform[®] family of companies, we offer the manufacture and installation of cost-effective solutions to remediate operational, health, regulatory and environmental problems resulting from aging and defective water and wastewater pipelines. Our Insituform[®] CIPP product is a trenchless, jointless, seamless pipe-within-a-pipe solution to rehabilitate pipes in various diameters. Our Insituform[®] CIPP process

provides a more affordable alternative to dig-and-replace methods and is a less disruptive and more environmentally friendly method for pipe repairs. As mentioned above, we have maintained our leadership position in the CIPP market through our ISO 9001:2008 certified manufacturing to technological innovations and market share for the past 40 years. Our Insituform® portfolio of products and services are utilized worldwide.

Fiber Reinforced Polymer Systems for Rehabilitation and Strengthening: Through our subsidiaries, Fyfe Co. LLC, Fibrwrap Construction Services, Inc. and other affiliated companies, we offer the manufacture and installation of fiber reinforced polymer ("FRP") systems for strengthening, repair and restoration of masonry, concrete, steel and wooden infrastructures applicable worldwide. Our infrastructure markets include large diameter pipelines, buildings, bridges, tunnels, industrial developments and waterfront structures, of which the pipeline market currently makes up the largest share. One of the key features of the Tyfo Fibrwrap® technology is its capability to withstand seismic and force loads, providing a unique advantage over conventional rehabilitation methods. Fibrwrap® systems consist of the proprietary (or patented) and specialized Tyfo® carbon, glass, aramid and hybrid lightweight and low profile woven fabrics combined with the proprietary Tyfo® resin and epoxy polymers which, in unique combination, create the tested, proven and certified Fibrwrap® advanced composite systems. Fibrwrap® systems are specifically engineered, manufactured and installed to solve a host of structural deficiencies or demands in existing structures. We offer personalized technical support to our customers through a highly trained structural engineering team that assists in all phases of a potential project, from the initial design to implementation and installation. While the majority of our Fibrwrap business is in North America, where we believe there is a growing addressable market, there is a growing acceptance of our products and services internationally, specifically in the Asia-Pacific region.

Cathodic Protection for Corrosion Engineering Control and Infrastructure Rehabilitation: Through our subsidiary, Corpro Companies, Inc. and its affiliated companies ("Corpro"), we offer corrosion protection solutions, most notably through cathodic protection, a time tested pipeline corrosion mitigation technology that is mandated by regulatory rules in many types of pipeline systems. We provide engineering and inspection services by National Association of Corrosion Engineers International (NACE) trained and certified inspectors (one of the largest independent consulting corrosion engineering organizations in the world), project management, training, research, testing and design, consultation and installation services to the following markets: pipeline, refinery, above and underground storage tanks, water/wastewater structures, concrete infrastructure and offshore and marine structures. Corpro also offers a full line of superior quality corrosion control and cathodic protection materials, which are ANSI/NSF 61 classified for drinking water system components. Through our acquisition of Hockway Middle East FZE in 2011, formation of a joint venture in Saudi Arabia in 2011 and formation of a branch office in Abu Dhabi in 2014, we have expanded our cathodic protection capabilities in the Middle East. Hockway offers a complete cathodic protection package from initial investigative survey through engineering design, manufacture of equipment, site installation and commissioning of systems with subsequent planned operational inspection and maintenance.

Pipe Coatings for Corrosion Control and Prevention: Through our subsidiary, The Bayou Companies, LLC and its related entities ("Bayou"), we provide products and services to protect pipes primarily for the oil and gas industries from corrosion and to provide flow assurance. We accomplish this through external and internal coatings utilizing fusion bonded epoxy ("FBE"), concrete for buoyancy reduction, extruded polyethylene for additional protection, insulation coating for thermal control and field joint coating for corrosion protection of fittings, valves and other primary sources for metal corrosion. Bayou also provides custom coating services on pipe bends, fittings, fabricated spools, valves and short runs of straight pipe for oil, gas and potable water services, as well as onshore or offshore fabrication and welding services. We also offer a proprietary robotic pipe coating and inspection technology for internal and external welded pipe field joints and rebar coating through our subsidiary CRTS, Inc. ("CRTS") and CCSI, Inc. ("CCSI").

Our cathodic protection and coatings products are applicable worldwide, with a focus on the Gulf of Mexico, the Canada Oil Sands, North America shale plays, the Middle East and Asia Pacific.

HDPE Pipe Lining for Corrosion Control, Abrasion Protection and Pipeline Rehabilitation: Through our subsidiary United Pipeline Systems, Inc. and its affiliated companies ("United Pipeline Systems"), we provide polyethylene pipe lining solutions to the oil and gas, mining and chemical industrial pipeline markets. United Pipeline Systems proprietary high-density polyethylene ("HDPE") Tite Liner® installation system provides chemical, corrosion and erosion resistance for numerous pipeline applications. Our HDPE system can rehabilitate pipelines for a fraction of the cost and time associated with industrial pipeline replacement and has application in the rehabilitation of pressure pipes in the municipal marketplace. We offer our HDPE lining protection products and services worldwide, with a strategic focus of expanding our presence in key end markets with sustainable capital spend on oil, gas and mining activities.

Construction and Maintenance of Upstream and Downstream Facilities: Through Brinderson we are a leading integrated service provider of maintenance, construction, engineering and turnaround activities for the upstream and downstream oil and gas markets. Primarily focused on serving large oil and gas customers in California, Brinderson's competitive advantages include its industry-leading safety record, a strong reputation for reliability and quality and

comprehensive solutions needed for major refinery maintenance, repairs and retrofits. These core competencies position Brinderson to meet the growing demand for non-discretionary operating and maintenance expenditures.

Strategic Initiatives and Key Acquisitions to Support our Diversification Strategy

During the fourth quarter of 2014, as part of our 2014 Restructuring Plan, we realigned our reporting and operating segments by (i) combining our former Water and Wastewater and Commercial and Structural businesses to form the Infrastructure Solutions segment; (ii) forming the Energy Services segment, which currently consists solely of our Brinderson operations; and (iii) creating the Corrosion Protection segment with the remaining businesses from our previous Energy and Mining segment.

Infrastructure Solutions Segment

On October 6, 2014, our board of directors approved the 2014 Restructuring Plan as discussed further in Note 3 to the consolidated financial statements contained in this report. As part of our 2014 Restructuring Plan, we decided to exit Insituform's contracting markets in France, Switzerland, India, Hong Kong, Malaysia and Singapore. This decision was made taking into account market size, bid table consistency, supportive governmental bid process, length of cash collection cycles and operating results in each country. Activities with respect to Insituform's contracting operations in India, Hong Kong, Malaysia and Singapore are expected to be concluded by the end of the third quarter of 2015 as Insituform completes existing backlog in the affected countries. With regard to our Swiss operations, in December 2014, we sold our wholly-owned Swiss subsidiary, Ka-te Insituform AG ("Ka-te"), to the Marco Daetwyler Gruppe AG, a Swiss company, for the sale price of CHF 1.1 million (approximately \$1.1 million). In connection with the sale, we entered into a five-year exclusive tube supply agreement whereby Ka-te will source all of its liners from Insituform Linings Ltd. Ka-te will also be entitled to continue to use its trade name based on a trademark license granted for the same five-year time period.

In June 2013, we sold our fifty percent (50%) interest in Insituform Rohrsanierungstechniken GmbH ("Insituform-Germany") to Per Aarsleff A/S, a Danish company ("Aarsleff"). Insituform-Germany, a company that was jointly owned by Aegion and Aarsleff, is active in the business of no-dig pipe rehabilitation in Germany, Slovakia and Hungary. The sale price was €14 million, approximately \$18.3 million. The sale resulted in a gain on the sale of approximately \$11.3 million (net of \$0.5 million of transaction expenses) recorded in other income (expense) on the consolidated statement of operations. In connection with the sale, Insituform-Germany also entered into a tube supply agreement with the Company whereby Insituform-Germany will purchase on an annual basis at least GBP 2.3 million, approximately \$3.6 million, of felt CIPP liners during the two-year period from June 26, 2013 to June 30, 2015.

In November 2012, we acquired the outstanding shares of our joint venture partner, SPML Infra Limited ("SPML"), an unaffiliated Indian contractor, in Insituform Pipeline Rehabilitation Private Limited ("Insituform-India") in order to continue to pursue business opportunities in India involving CIPP installations and third party tube sales, as well as to promote our other products and services. The purchase price was 20,000 Indian Rupee. In addition, we acquired SPML's interest in four contractual joint ventures we had previously entered into with SPML in India for a purchase price of 5,000 Indian Rupee.

In April, 2012, we purchased Fyfe Group's Asian operations ("Fyfe Asia"), which included all of the equity interests of Fyfe Asia Pte. Ltd, a Singaporean entity (and its interest in two joint ventures located in Borneo and Indonesia), Fyfe (Hong Kong) Limited, Fibrwrap Construction (M) Sdn Bhd, a Malaysian entity, Fyfe Japan Co. Ltd, a Japanese entity, and Fibrwrap Construction Pte. Ltd and Technologies & Art Pte. Ltd., Singaporean entities. Fyfe Asia provides Fibrwrap® installation services throughout Asia, as well as provides product and engineering support to installers and applicators of fiber reinforced polymer systems in Asia. The cash purchase price at closing was \$40.7 million. The purchase price was funded out of our cash balances and by borrowing \$18.0 million against our line of credit.

In January 2012, we purchased Fyfe Group's Latin American operations ("Fyfe LA"), which included all of the equity interests of Fyfe Latin America S.A., a Panamanian entity (and its interest in various joint ventures located in Peru, Costa Rica, Chile and Colombia), Fyfe - Latin America S.A. de C.V., an El Salvadorian entity, and Fibrwrap Construction Latin America S.A., a Panamanian entity. Fyfe LA provides Fibrwrap® installation services throughout Latin America, as well as product and engineering support to installers and applicators of fiber reinforced polymer systems in Latin America. The cash purchase price at closing was \$2.3 million and was funded out of our cash balances. During the first quarter of 2012, we paid the sellers an additional \$1.1 million based on a preliminary working capital adjustment. An annual payout could have been earned based on the achievement of certain performance targets in each year over the three-year period ending December 31, 2014. No annual payout was earned as the performance targets were not met. As of December 31, 2014, we calculated the fair value of the contingent consideration arrangement to be zero, which is based on Level 3 inputs as defined in Note 11 to the consolidated financial statements contained in this report.

Corrosion Protection Segment

On October 6, 2014, our Board of Directors approved the 2014 Restructuring Plan as discussed further in Note 3 to the consolidated financial statements contained in this report. As part of the 2014 Restructuring Plan, we made the decision to

shutter two older and redundant fusion bonded epoxy coating plants and terminate certain land leases at Bayou's Louisiana facility. The actions taken to restructure Bayou's Louisiana operations allow Bayou to cost effectively meet market demand, for both onshore and offshore projects, by optimizing pipe coating activities and reducing fixed costs. The repositioning of Bayou's Louisiana facility will also include additional capital investments in the remaining coating facilities over the next two to three years to augment Bayou's competitive position.

On March 31, 2014, we sold our forty-nine percent (49%) interest in Bayou Coating, L.L.C. ("Bayou Coating") to Stupp Brothers Inc. ("Stupp"), the holder of the remaining fifty-one percent (51%) interest in Bayou Coating. Stupp purchased the interest by exercising an existing option to acquire our interest in Bayou Coating at a purchase price equal to \$9.1 million, which represented forty-nine percent (49%) of the book value of Bayou Coating as of December 31, 2013. Such book value was determined in accordance with the requirements of the joint venture agreement and was based on Bayou Coating's federal information tax return for 2013 and approximated the book value of our investment in Bayou Coating as of December 31, 2013. We had previously received an indication from Stupp of its intent to exercise such option and, in the second quarter of 2013 in connection with such indication, we recognized a non-cash charge of \$2.7 million (\$1.8 million post-tax) related to the goodwill allocated to the joint venture as part of the purchase price accounting associated with the 2009 acquisition of Bayou. The non-cash charge represented our then current estimate of the difference between the carrying value of the investment on the balance sheet and the amount we would receive in connection with the exercise. During the first quarter of 2014, the difference between our recorded gross equity in earnings of affiliated companies of approximately \$1.2 million and the final equity distribution settlement of \$0.7 million resulted in a loss of approximately \$0.5 million.

Prior to March 2014, we held a fifty-nine percent (59%) equity interest in Delta Double Jointing, LLC ("Bayou Delta") through which we offer pipe jointing and other services for the steel-coated pipe industry. The remaining forty-one percent (41%) was held by Bayou Coating. On March 31, 2014, we acquired this forty-one percent (41%) interest from Bayou Coating by exercising our existing option at a purchase price equal to \$0.6 million. As a result, Bayou Delta is now a wholly owned subsidiary.

During the second quarter of 2013, our Board of Directors approved a plan of liquidation for our Bayou Welding Works ("BWW") business in an effort to improve our overall financial performance and align the operations with our long-term strategic initiatives. BWW provided specialty welding and fabrication services from its facility in New Iberia, Louisiana. Financial results for BWW were previously part of our Corrosion Protection segment for financial reporting purposes. BWW ceased bidding new work and substantially completed all ongoing projects during the second quarter of 2013. As a result of the closure of BWW, we recognized a pre-tax, non-cash charge of approximately \$3.9 million (\$2.4 million after-tax, or \$0.06 per diluted share) to reflect the impairment of goodwill and intangible assets. We also recognized additional non-cash impairment charges for equipment and other assets of approximately \$1.1 million on a pre-tax basis (\$0.7 million on an after-tax basis, or \$0.02 per diluted share). During the fourth quarter of 2014, we completed final liquidation of BWW. Included within the final liquidation was the settlement of outstanding receivables with a single customer associated with a larger fabrication project. The Company also incurred cash charges of \$1.4 million related to certain professional fees incurred during dissolution. This resulted in a recorded pre-tax charge of approximately \$6.0 million within discontinued operations.

In March 2012, we organized United Special Technical Services LLC ("USTS"), a joint venture located in the Sultanate of Oman between our United Pipeline Systems division and Special Technical Services LLC, an Omani company ("STS"), for the purpose of executing pipeline, piping and flow line high-density polyethylene lining services throughout the Middle East and Northern Africa. We hold a fifty-one percent (51%) equity interest in USTS and STS holds the remaining forty-nine percent (49%) equity interest. USTS initiated operations in the second quarter of 2012.

Energy Services Segment

On July 1, 2013, we acquired Brinderson, a leading integrated service provider of maintenance, construction, engineering and turnaround activities for the upstream and downstream oil and gas markets. Primarily focused on serving large oil and gas customers in California, Brinderson's competitive advantages include its industry-leading safety record, a strong reputation for reliability and quality and comprehensive solutions needed for upstream oil field and downstream major refinery maintenance, repairs and retrofits. These core competencies position Brinderson to meet the growing demand for non-discretionary operating and maintenance expenditures. The transaction purchase price was \$150.0 million, which resulted in a cash purchase price at closing of \$147.6 million after preliminary working capital adjustments and an adjustment to account for cash held in the business at closing. The transaction was funded by the Company's \$650.0 million senior secured credit facility as discussed in Note 6 to the consolidated financial statements contained in this report. During the fourth quarter of 2014, we finalized the settlement of negotiated working capital for the Brinderson acquisition as well as escrow claims made pursuant to the purchase agreement. As a result of the settlement, we received proceeds of approximately \$5.5 million. We recorded \$1.0 million as a purchase price adjustment related to working capital and the remaining \$4.5 million was recorded to operating expense in the Consolidated Statement of Operations.

Our Energy Services segment currently consists solely of Brinderson and its affiliated entities.

Available Information

Our website is www.aegion.com. We make available on this website under “Investors – SEC,” free of charge, our proxy statements used in conjunction with stockholder meetings, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and Section 16 beneficial ownership reports (as well as any amendments to those reports) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. In addition, our Code of Ethics for our Chief Executive Officer, Chief Financial Officer and senior financial employees, our Code of Conduct applicable to all of our officers, directors and employees, our Corporate Governance Guidelines and our Board committee charters are available, free of charge, on our website under “Investors – Corporate Governance.” In addition, paper copies of these documents will be furnished to any stockholder, upon request, free of charge.

Technologies

Infrastructure Solutions

Our Insituform[®] CIPP Process for the rehabilitation of sewers, pipelines and other conduits utilizes a custom-manufactured tube, or liner, made of synthetic fiber. After the tube is saturated (impregnated) with a thermosetting resin mixture, it is installed in the host pipe by various processes, and the resin is then cured, by heat using hot water or steam, forming a new rigid pipe within a pipe.

Our iPlus[®] Infusion[®] Process is a trenchless method used for the rehabilitation of small-diameter sewer pipelines, whereby a felt liner is continuously impregnated with liquid, thermosetting resin through a proprietary process, after which the liner is pulled into the host pipe, inflated with air and cured with steam.

Our iPlus[®] Composite Process is a trenchless method used for the rehabilitation of large-diameter sewer pipelines, where the felt liner is reinforced with carbon or glass fiber, impregnated with liquid, thermosetting resin, inverted into place and cured with hot water or steam.

Our InsituMain[®] System is a cured-in-place pipe solution for pressure pipes. The InsituMain[®] System is for water mains and force mains up to 54-inches in diameter, can negotiate bends and is pressure-rated up to 150 psi. The InsituMain[®] System has also been certified as complying with ANSI/NSF Standard 61.

Our InsituGuard[®], InsituFlex[®] and InsituFold[®] processes are methods of rehabilitating transmission and distribution water mains using HDPE liners. Inserted into a new or existing pipeline by our proprietary installation processes, the liners are continuous and installed tightly against the inner wall of the host pipe, thereby isolating the flow stream from the host pipe wall and eliminating internal corrosion.

Our Thermopipe[®] Lining System is a polyester-reinforced polyethylene lining system for the rehabilitation of distribution water mains. The factory-folded “C” shape liner is winched into the host pipe from a reel and reverted with air and steam. Once inflated and heated, the liner forms a close-fit within the host pipe, creating a jointless, leak-free lining system.

Our Insituform RPP[™] process is a trenchless technology used for the rehabilitation of sewer force mains and industrial pressure pipelines. The felt tube is reinforced with glass and impregnated with liquid, thermosetting resin, after which it is inverted with water and cured with hot water to form a structural, jointless pipe within the host pipe.

Our Insituform PPL[®] process is a trenchless technology certified to NSF/ANSI Standard 61 used for the rehabilitation of drinking water and industrial pressure pipelines. A glass-reinforced liner is impregnated with an epoxy or vinyl ester resin, inverted with water and cured with hot water to form a jointless pipe lining within the host pipe.

Sliplining is a method used to push or pull a new pipeline into an old one. With segmented sliplining, short segments of pipe are joined to form the new pipe. For gravity sewer rehabilitation, these short segments can often be joined in a manhole or access structure, eliminating the need for a large pulling pit.

Our Sealing Method process is a method for providing re-connection to a ferrule of a service line from within the bore of a lined host pipe.

Our UV/Glass Lining System is a cured in place pipe solution for small- to medium-diameter pipes utilizing a glass fiber tube that is impregnated with a resin sensitive to ultraviolet light or steam curing. The tube is pulled into place in the host pipe, inflated by air and cured via an ultraviolet light source or steam.

Our Fibrwrap[®] and Tyfo[®] processes are methods applying high strength fiber fabric to strengthen structures and the connections between structural components, thereby strengthening, repairing and restoring masonry, concrete, steel and wooden structures. The Fibrwrap[®] and Tyfo[®] products are construction and engineering materials comprising hybrid fiber/epoxy composites used for retrofitting or repairing structures.

Our Blast Glass[®] product and process relates to glass fabric used on a blast-resistant building or structure having reinforced connections between concrete structural panels and adjacent support members providing for increased structural stability under fluctuating loads, such as during a blast or explosion.

Our Nano-Nano[®] product is a polymer resin used in the manufacture of resin or fiber composites.

Our FibrBundle[®] process relates to devices, systems and methods for reinforcing pipes and other structures, thus reinforcing the interior of pipes using FRP. The FibrBundle[®] products are non-metal building materials, namely, tows of carbon fibers for strengthening bridges, buildings and other structures.

Our FibrPipeWrap[™] product and process relates to the construction and civil engineering material in the nature of hybrid fiber/epoxy composites used for retrofitting or repairing structures.

Corrosion Protection

Our Tite Liner[®] process is a method of lining new and existing pipe with a corrosion and abrasion resistant high-density polyethylene pipe.

Our Safetyliner[™] product is a grooved HDPE liner that is installed in an industrial pipeline using the Tite Liner[®] process. The Safetyliner[™] liner is normally used in natural gas or CO₂ pipelines to allow release of gas that permeates the HDPE liner. If gas is allowed to build in the annular space under normal operating conditions, the line can be susceptible to collapse upon sudden changes in operating pressures. The Safetyliner[™] liner also has been used in pipelines as a leak detection system and for dual containment in mine water pipelines.

The FBE application process utilizes heat to melt a dry powder FBE coating material into liquid form. The liquid material wets and flows onto the steel pipe and solidifies through a process called cross-linking. Once cooled, this “fusion-bonded” epoxy cannot return to its original state and forms a corrosion protection barrier on the interior or exterior surface of the pipe.

Our InnerGard[™] product is an internal FBE coating that provides corrosion protection for water injection lines and reduces costs compared to alloy pipe.

Our Enventure[™] product is an internal lubricity coating for solid expandable downhole tubulars.

The Cathodic Protection process is an electrochemical process that prevents corrosion for new structures and stops the corrosion process for existing structures. Cathodic protection prevents the release of energy and reversion to its unrefined state by the cathode, the structure being protected, through the passing of an electrical current from an electrode, called an anode, placed near or connected to the cathode. In this process, the anode corrodes, sacrificing itself to protect the integrity of the cathode. Structures commonly protected by this process include oil and gas pipelines, offshore platforms, above and underground storage tanks, ships, electric power plants, bridges, parking garages, transit systems and water and wastewater treatment equipment.

Our CoatCheck[®] product includes instruments for measuring pipe joint and surface treatment quality parameters.

Our CorrFlex[®] System is a linear anode system installed parallel to pipelines, often times to prevent stress corrosion cracking that can lead to ruptures on high pressure gas transmission pipelines.

Our CorrSpray[®] product provides a unique solution for preventing corrosion of steel reinforcements in concrete structures.

Our Green Rectifier[®] system is an ecologically friendly method of cathodic protection using solar panels and a wind generator to power the cathodic protection process.

Our Grid System[™] has set the global standard for preventing releases from external corrosion of at grade storage tanks containing oil and petroleum products, thereby ensuring safe operations and protection of the environment.

Our AC Interference Mitigation (ACIM) solution protects pipeline operators and the public from electrical hazards when pipelines share space on rights-of-way with overhead electric transmission lines. Beginning with advanced predictive modeling, we then design mitigation schemes and provide systems to protect people and the pipeline.

See “Patents” below for more information concerning these technologies.

Operations

We are organized into three operating segments, which are also our reportable segments: Infrastructure Solutions, Corrosion Protection and Energy Services. Each segment is regularly reviewed and evaluated separately.

Our operations are generally project-oriented. Projects may range in duration from just a few days to several years, which can be performed as one-time contracts or as part of longer term agreements. These contracts are usually obtained through competitive bidding or negotiations and require performance at a fixed price or time and materials basis. Our Corrosion Protection and Energy Services projects are generally performed under contracts with industrial entities. Within our

Infrastructure Solutions segment, a majority of our water and wastewater rehabilitation installation projects are performed under contracts with municipal entities, while a significant portion of our commercial and structural rehabilitation and strengthening projects are performed under contracts with the public sector. Independent contractors may be utilized to perform portions of the work on any given project that we provide.

Infrastructure Solutions Operations

Our sewer rehabilitation activities are conducted principally through installation and other construction operations performed directly by our subsidiaries. In certain geographic regions, we have granted licenses to unaffiliated companies. As described under “Ownership Interests in Operating Licensees and Joint Ventures” below, we also have entered into contractual joint ventures from time to time to capitalize on our trenchless rehabilitation processes. Under these contractual joint venture relationships, work is bid by the joint venture entity and subcontracted to the joint venture partners or to third parties. The joint venture partners are primarily responsible for their subcontracted work, but both joint venture partners are liable to the customer for all of the work. Revenues and associated costs are recorded using percentage-of-completion accounting for our subcontracted portion of the total contract only. Our North American Infrastructure Solutions operations, including research and development, engineering, training and financial support systems, are headquartered in Chesterfield, Missouri. Tube manufacturing and processing facilities for North America are maintained in eight locations, geographically dispersed throughout the United States and Canada.

We also conduct Insituform[®] CIPP process rehabilitation operations worldwide through our wholly-owned subsidiaries. We utilize multifunctional robotic devices developed by our French subsidiary in connection with the inspection and repair of pipelines. We also maintain a manufacturing facility in Wellingborough, United Kingdom to support our international operations and through which we sell liners to third parties.

In addition to sewer rehabilitation, we have performed water rehabilitation operations since 2006 using our Insituform Blue[®] product portfolio. Under the Insituform Blue[®] brand, we are able to restore water pipes using our InsituMain[®], InsituGuard[®], InsituFlex[®], InsituFold[®] and Thermopipe[®] lining systems. We conduct rehabilitation operations in North America, Australia, the Netherlands, the United Kingdom, Spain and Hong Kong through our existing operations.

Our infrastructure rehabilitation operations perform rehabilitation and strengthening of pipelines, buildings, bridges, tunnels, industrial developments and waterfront structures throughout the United States and Canada through Fibrwrap Construction Services, headquartered in San Diego, California, in our Asian markets through our wholly owned subsidiaries and through our joint ventures in Borneo and Indonesia and in our Latin American markets through our wholly owned subsidiaries and through our joint ventures in Chile, Colombia, Costa Rica and Peru. Through Fyfe Co., headquartered in San Diego, California, we design and manufacture the FRP composite systems used in these applications. Our wholly-owned Fyfe entities located in El Salvador, Singapore, Japan, Malaysia and Hong Kong and our Fyfe joint ventures in Borneo and Indonesia, provide product and engineering services throughout Latin America and Asia-Pacific.

Corrosion Protection Operations

Our corrosion protection operations perform maintenance rehabilitation and corrosion protection services for oil and gas, industrial, and mineral piping systems and structures. We also offer products for gas release and leak detection systems. Our worldwide corrosion protection operations are headquartered in Chesterfield, Missouri. These operations are conducted through our various subsidiaries (Corrpro based in Houston, Texas, United Pipeline Systems based in Durango, Colorado, Bayou based in New Iberia, Louisiana, CRTS based in Tulsa, Oklahoma and CCSI based in Conroe, Texas). Certain of our corrosion protection operations outside of the United States are conducted through our wholly-owned subsidiaries in the United Kingdom, Portugal, Chile, Canada, Argentina, Brazil and the United Arab Emirates and through our joint ventures in Canada, Mexico, Oman, Singapore, Saudi Arabia and Morocco.

Our Corrpro business performs fully-integrated corrosion prevention services including: (i) engineering; (ii) product and material sales; (iii) construction and installation; (iv) inspection, monitoring and maintenance; and (v) coatings. United Pipeline Systems performs pipeline rehabilitation services using our proprietary Tite Liner[®] process. Our Bayou business performs internal and external pipeline coating, lining, weighting and insulation services, as well as specialty fabrication services for offshore deep-water installations, including project management and logistics. Our CRTS business specializes in the application of internal corrosion coatings services and equipment for new pipeline construction projects. Our CCSI business leases specialized equipment and conducts external field joint anti-corrosion coating services onshore and offshore in locations around the world.

Energy Services Operations

Our energy services operations currently consist solely of Brinderson and its affiliated entities. Brinderson is based in Costa Mesa, California and performs engineering, procurement, construction, maintenance and turnaround services supporting all segments of the oil and gas industry from upstream to downstream. Brinderson’s operations are located in California, Washington, Nevada and Texas. Brinderson specializes in offering clients a flexible, single source for all project needs.

Clients may choose a single service or multiple integrated services, everything from technical consulting to turnkey project delivery and ongoing maintenance. Brinderson provides project management and engineering professionals across various disciplines, including chemical, civil, structural, mechanical, electrical, instrumentation, project controls, estimating, procurement and safety. AllSafe, a division of Brinderson, provides safety field services.

Licensees

We have granted licenses for the Insituform[®] CIPP process covering exclusive and non-exclusive territories, to non-affiliated licensees that provide pipe repair and rehabilitation services throughout their respective licensed territories. The licenses generally grant to the licensee the right to utilize our know-how and the patent rights (where such rights exist) relating to the subject process, and to use our copyrights and trademarks. These licenses have an average term of ten years with a right to renew.

Our licensees generally are obligated to pay a royalty at a specified rate. Any improvements or modifications a licensee may make in the subject process during the term of the license agreement generally becomes our property or is licensed to us. Should a licensee fail to meet its royalty obligations or other material obligations, we may terminate the license at our discretion. Licensees, upon prior notice to us, may generally terminate the license for certain specified reasons. We may vary the terms of agreements entered into with new licensees according to prevailing conditions. Income from royalties are immaterial to our overall consolidated revenues.

Our wholly-owned Fyfe entities located in El Salvador, Singapore, Japan, Malaysia and Hong Kong and our Fyfe joint ventures in Borneo and Indonesia, provide design, product and engineering support to installers and applicators of the FRP systems in Latin America and Asia-Pacific. Our joint ventures in Latin America and Asia-Pacific are granted the non-exclusive right to use Fyfe products in their respective territories. Fyfe Co. also periodically licenses on a project-by-project basis its patented technology to both affiliated and third party installers.

Ownership Interests in Operating Licensees and Joint Ventures

Prior to June 2013, we held one-half of the equity interests in Insituform, through our subsidiary, Insituform Technologies Limited (UK). Insituform-Germany provides sewer rehabilitation services in Germany and, through its subsidiaries, in Slovakia and Hungary. We licensed certain trademarks to Insituform-Germany for use in Germany, Hungary and Slovakia. The remaining interest in Insituform-Germany was held by Per Aarsleff A/S, an unaffiliated Danish contractor. In June 2013, we sold our fifty percent (50%) interest in Insituform-Germany. The sale price was €14 million, approximately \$18.3 million. The sale resulted in a gain on the sale of approximately \$11.3 million (net of \$0.5 million of transaction expenses) recorded in other income (expense) on the consolidated statement of operations. In connection with the sale, Insituform-Germany also entered into a tube supply agreement with the Company whereby Insituform-Germany will purchase on an annual basis at least GBP 2.3 million, approximately \$3.6 million, of felt CIPP liners during the two-year period from June 26, 2013 to June 30, 2015.

Through our Fyfe acquisition in Latin America in 2012, we hold controlling interests in joint ventures in Chile, Costa Rica and Peru. Through our subsidiary, Fibrwrap Construction Latin America S.A., we hold (i) a fifty-five percent (55%) equity interest in Fibrwrap Construction Chile S.A. with the other forty-five percent (45%) equity interest held by TecnoAV S.A.; (ii) a fifty-one percent (51%) equity interest in Grupo Meltzer Fibrwrap Costa Rica S.A. in Costa Rica with the other forty-nine percent (49%) equity interest held by Constructora Meltzer S.A.; and (iii) a fifty-one percent (51%) equity interest in Fibrwrap Construction Peru S.A.C. with the other forty-nine percent (49%) equity interest held by Top Consult Ingenieria. These joint ventures provide structural retrofitting services throughout their respective territories.

Through our Fyfe acquisition in Asia-Pacific in 2012, we hold controlling interests in joint ventures in Borneo and Indonesia. Through our subsidiary, Fyfe Asia Pte. Ltd. we hold (i) a fifty-one percent (51%) equity interest Fyfe Borneo Sdn Bhd., with the other forty-nine percent (49%) equity interest held by C. Tech Sdn Bhd and (ii) a fifty-five percent (55%) equity interest in PT Fyfe Fibrwrap Indonesia, with the other forty-five percent (45%) equity interest held by PT Graha Citra Anugerah Lestari.

Through our subsidiary, INA Acquisition Corp., we hold a fifty-five percent (55%) equity interest in United Pipeline de Mexico S.A. de C.V., our licensee of the Tite Liner[®] process in Mexico. The remaining ownership interest in United Pipeline de Mexico S.A. de C.V. is held by Miller Pipeline de Mexico S.A. de C.V., an unaffiliated Mexican company.

Through our subsidiary, United Pipeline Systems Limited, we hold a fifty-one percent (51%) equity interest in Bayou Perma-Pipe Canada, Ltd. ("BPPC"), our Canadian coating joint venture. The remaining interest is held by Perma-Pipe Canada, Inc., a subsidiary of MFRI, Inc., an unaffiliated U.S. company. This joint venture serves as our pipe coating and insulation operation in Canada.

On March 31, 2014, we sold our forty-nine percent (49%) interest in Bayou Coating to Stupp, the holder of the remaining fifty-one percent (51%) interest in Bayou Coating. Stupp purchased the interest by exercising an existing option to acquire our interest in Bayou Coating at a purchase price equal to \$9.1 million, which represented forty-nine percent (49%) of the book

value of Bayou Coating as of December 31, 2013. Such book value was determined in accordance with the requirements of the joint venture agreement and was based on Bayou Coating's federal information tax return for 2013 and approximated the book value of our investment in Bayou Coating as of December 31, 2013. We had previously received an indication from Stupp of its intent to exercise such option and, in the second quarter of 2013 in connection with such indication, we recognized a non-cash charge of \$2.7 million (\$1.8 million post-tax) related to the goodwill allocated to the joint venture as part of the purchase price accounting associated with the 2009 acquisition of Bayou. The non-cash charge represented our then current estimate of the difference between the carrying value of the investment on the balance sheet and the amount we would receive in connection with the exercise. During the first quarter of 2014, the difference between our recorded gross equity in earnings of affiliated companies of approximately \$1.2 million and the final equity distribution settlement of \$0.7 million resulted in a loss of approximately \$0.5 million.

Prior to March 2014, we held a fifty-nine percent (59%) equity interest in Bayou Delta through which we offer pipe jointing and other services for the steel-coated pipe industry. The remaining forty-one percent (41%) was held by Bayou Coating. On March 31, 2014, we acquired this forty-one percent (41%) interest from Bayou Coating by exercising our existing option at a purchase price equal to \$0.6 million. As a result, Bayou Delta is now a wholly owned subsidiary.

Through our subsidiary, Aegion Holding Company, LLC, we hold a fifty-one percent (51%) equity interest in Bayou Wasco through which we provide insulation services primarily for projects located in the United States, Central America, the Gulf of Mexico and the Caribbean. The other forty-nine percent (49%) equity interest is held by Wasco Energy, a leading insulation coatings provider based in Malaysia.

Through our subsidiary, Insituform Technologies Netherlands B.V. ("ITNBV"), we hold a forty-nine percent (49%) ownership interest in WCU Corrosion Technologies Pte. Ltd. ("WCU"), located in Singapore. WCU offers our Tite Liner[®] process and our Corrpro[®] products and services in the oil and gas sector and onshore corrosion services, in Asia and Australia. The other fifty-one percent (51%) equity interest is held by Wasco Energy.

Through our subsidiary, Corrpro Canada, Inc., we hold a seventy-percent (70%) equity interest in Corrpower based in Saudi Arabia, through which we will provide fully integrated corrosion prevention products and services to government and private sector clients throughout the Kingdom of Saudi Arabia. The other thirty-percent (30%) equity interest is held by STARC, based in Al-Khobar, Saudi Arabia.

Through our subsidiary, UPS-International, we hold a fifty-one percent (51%) equity interest in UPS-Aptec Limited, located in the United Kingdom through which we provide HDPE liner installation services solely with respect to UPS-Aptec Limited's contract in Morocco. The other forty-nine percent (49%) equity interest is held by APTEC.

Through our subsidiary, ITNBV, we hold a fifty-one percent (51%) equity interest in USTS located in the Sultanate of Oman for the purpose of executing pipeline, piping and flow line HDPE lining services throughout the Middle East and Northern Africa. The other forty-nine percent (49%) equity interest is held by STS.

We have previously entered into teaming and other cooperative arrangements in various geographic regions throughout the world in order to develop cooperative bids on contracts for our HDPE pipeline rehabilitation and cathodic protection businesses. Typically, the arrangements provide for each participant to complete its respective scope of work, and we are not required to complete the other participant's scope of work. We continue to investigate opportunities for expanding our business through such arrangements.

We previously entered into contractual joint ventures in other geographic regions in order to develop joint bids on contracts for our pipeline rehabilitation business. Typically, the joint venture entity holds the contract with the owner and subcontracts portions of the work to the joint venture partners. As part of the subcontracts, the partners usually provide bonds to the joint venture. We could be required to complete our joint venture partner's portion of the contract if the partner were unable to complete its portion and a bond is not available. We continue to investigate opportunities for expanding our business through such arrangements.

Product Development

By using our own laboratories and testing facilities, as well as outside consulting organizations and academic institutions, we continue to develop improvements to our proprietary processes, including the materials used and the methods of manufacturing and installing liners and for protecting and rehabilitating pipelines, buildings, bridges, tunnels and other infrastructure. During the years ended December 31, 2014, 2013 and 2012, we spent \$2.6 million, \$2.6 million and \$1.8 million, respectively, on research and development related activities, including engineering.

Customers and Marketing

We offer our products and services to highly diverse markets worldwide. We service municipal, state and federal governments, as well as corporate customers, in numerous industries including energy, oil and gas, mining, general and

industrial construction, infrastructure (buildings, bridges, tunnels, railways, etc.), water and wastewater, pipelines, transportation, maritime and defense. Our products and services are currently utilized and performed in more than 80 countries across six continents.

We offer our corrosion protection solutions worldwide to energy, mining and other customers to protect new and existing pipelines and other structures. The marketing of sewer pipeline rehabilitation technologies is focused primarily on the municipal wastewater markets worldwide. We offer our water rehabilitation products to municipal and corporate customers. We offer our infrastructure rehabilitation products worldwide to certain certified third party installers and applicators and market our installation services to municipal, state, federal and corporate customers worldwide. We offer our energy services solutions primarily to the upstream and downstream oil and gas markets on the West Coast and in the Permian Basin. No customer accounted for more than 10% of our consolidated revenues during the years ended December 31, 2014, 2013 or 2012.

To help shape decision-making at every step, we use a highly-trained, multi-level sales force structured around target markets and key accounts, focusing on engineers, consultants, administrators, technical staff and public officials. Due to the technical nature of our products and services, many of our sales personnel have engineering or technical expertise and experience. We also produce sales literature and presentations, participate in trade shows and execute other marketing programs for our own sales force and those of unaffiliated licensees. Our unaffiliated licensees are responsible for marketing and sales activities in their respective territories. See “Licensees” and “Ownership Interests in Operating Licensees and Joint Ventures” above for a description of our licensing operations and for a description of investments in licensees.

Contract Backlog

Contract backlog is our expectation of revenues to be generated from received, signed and uncompleted contracts, the cancellation of which is not anticipated at the time of reporting. The Company assumes that these signed contracts are funded. For its government or municipal contracts, the Company’s customers generally obtain funding through local budgets or pre-approved bond financing. The Company has not undertaken a process to verify funding status of these contracts and, therefore, cannot reasonably estimate what portion, if any, of its contracts in backlog have not been funded. However, the Company has little history of signed contracts being canceled due to the lack of funding. Contract backlog excludes any term contract amounts for which there are not specific and determinable work releases and projects where we have been advised that we are the low bidder, but have not formally been awarded the contract.

The following table sets forth our consolidated backlog by segment (in millions):

	December 31, 2014	December 31, 2013	December 31, 2012
Infrastructure Solutions	\$ 337.5	\$ 329.9	\$ 292.4
Corrosion Protection ⁽¹⁾	176.0	160.8	240.8
Energy Services ⁽²⁾	244.5	268.3	—
Total backlog	<u>\$ 758.0</u>	<u>\$ 759.0</u>	<u>\$ 533.2</u>

⁽¹⁾ All periods presented exclude BWW backlog, as this business was discontinued in the second quarter of 2013.

⁽²⁾ Includes backlog from Brinderson, which represents expected revenues to be realized under long-term Master Service Agreements (“MSAs”) and other signed contracts. If the remaining term of these arrangements exceeds 12 months, the unrecognized revenues attributable to such arrangements included in backlog are limited to only the next 12 months of expected revenues.

Although backlog represents only those contracts and MSAs that are considered to be firm, there can be no assurance that cancellation or scope adjustments will not occur with respect to such contracts.

Within our Infrastructure Solutions and Corrosion Protection segments, certain contracts are performed through our variable interest entities, in which we own a controlling portion of the entity. As of December 31, 2014, 0.2% and 25.3% of our Infrastructure Solutions backlog and Corrosion Protection backlog, respectively, related to these variable interest entities. With the exception of Brinderson, a substantial majority of our contracts in these two segments are fixed price contracts with individual private businesses and municipal and federal government entities across the world. Energy Services, on the other hand, generally enters into cost reimbursable contracts that are based on costs incurred at agreed upon contractual rates.

Manufacturing and Suppliers

We maintain our North American Insituform[®] CIPP process liner manufacturing facility in Batesville, Mississippi. In Europe, we manufacture and sell Insituform[®] CIPP process liners from our plant located in Wellingborough, United Kingdom. Although raw materials used in Insituform[®] CIPP process products are typically available from multiple sources, our historical

practice has been to purchase materials from a limited number of suppliers. We maintain our own felt manufacturing facility in Batesville, Mississippi. Substantially all of our fiber requirements are purchased from two sources, but there are alternate vendors readily available. We source our resin supply from multiple vendors. We also manufacture certain equipment used in our Insituform® CIPP business. We believe that the sources of supply for our Insituform® CIPP operations in North America, Europe and Asia-Pacific are adequate for our needs.

We sell Insituform® CIPP process liners and related products to third parties and certain licensees on a project to project basis. In Europe, in addition to sales made on a project by project basis, we have entered into supply agreements with various third parties to supply them with Insituform® CIPP process liners and related products.

The principal raw materials used by Fyfe Co. in the manufacture of FRP composite materials are carbon, glass, resins, fabric, and epoxy raw materials. Fabric and epoxies are the most significant materials purchased, which are currently purchased through a select group of suppliers, although these and the other materials are available from a number of vendors. The weaving of FRP components into woven fabric is done at our facility in La Conner, Washington. Fyfe Co. does specialized blending of unique epoxies from basic chemicals at the Batesville, Mississippi facility. The epoxy resin is also repackaged at our Batesville, Mississippi facility and the specialized blending is usually done on each job site. Fyfe Co. also sells finished materials throughout the United States and worldwide to our affiliates and certain certified third party installers and applicators.

Product and material revenues for our Corpro business are derived principally from the sale of products that are purchased from select outside vendors or from assembling components that are sourced from suppliers. We conduct light assembly for a number of our Corpro products in our production facilities in Sand Springs, Oklahoma; Edmonton, Alberta, Canada; the United Kingdom; Dubai, United Arab Emirates; and Saudi Arabia. In addition, we manufacture our own line of rectifiers and other power supplies in Canada, the United Kingdom and Saudi Arabia. The primary products and raw materials used by our Corpro businesses include zinc, aluminum, magnesium and other metallic anodes, as well as wire and cable. We maintain relationships with our vendors for these products and are not dependent on any single vendor to meet our supply needs.

The product and service revenues for our United Pipeline Systems business are derived primarily from the manufacturing and installation of polyethylene liners inside pipelines. The raw material used for these liners is extruded HDPE pipe. It has been our practice to purchase this material from a selective group of suppliers; however, we believe that it is readily available from many other sources. We manufacture most of the proprietary equipment and many of the consumable items used in Tite Liner® system installations in our own facilities in Canada, the United States and Chile.

Product and service revenues for our Bayou and Coating Services businesses are derived principally from internal and external pipeline coating, lining, weighting and insulation. Facilities are located in New Iberia, Louisiana; Tulsa, Oklahoma; Conroe, Texas; Bakersfield, California; and Camrose, Alberta, Canada. The primary raw materials used in the coating process include FBE, paint, concrete, iron ore, sand and gravel. Although our historical practice has been to purchase materials from a limited number of suppliers, we believe that the raw materials used in the coating process are typically available from multiple sources.

Our pricing of raw materials is subject to fluctuations in the underlying commodity prices. See “Commodity Risk” in Item 7A of this report for detail on our management of the risks associated with such price fluctuations.

Patents and Proprietary Technologies

As of December 31, 2014, we held 27 United States patents relating to the Insituform® CIPP process, the last of which will expire in 2031. As of December 31, 2014, we had two pending United States non-provisional patent applications relating to the Insituform® CIPP process.

We have obtained and are pursuing patent protection in our principal foreign markets covering various aspects of the Insituform® CIPP process. As of December 31, 2014, there were 200 issued foreign patents and utility models relating to the Insituform® CIPP processes, and 33 applications pending in foreign jurisdictions. The specifications and/or rights granted in relation to each patent will vary from jurisdiction to jurisdiction. In addition, as a result of differences in the nature of the work performed and in the climate of the countries in which the work is carried out, we do not necessarily seek patent protection for all of our inventions in every jurisdiction in which we do business. We have elected to maintain certain internally developed technologies, know-how and inventions as trade secrets. We have entered into confidentiality agreements with employees, consultants and third parties to whom we disclose confidential information. Although there can be no assurance that these measures will suffice to prevent unauthorized disclosure or use or that third parties will not develop similar technologies, we believe it would take substantial time and resources to independently develop such technologies.

We hold 21 issued patents and two pending patents in the United States and four issued and 16 pending patents in foreign jurisdictions that relate to our FRP strengthening business operated through our Fyfe and Fibrwrap subsidiaries. Of these applications, two are Patent Cooperation Treaty applications that cover multiple jurisdictions in Europe and throughout the world.

For our corrosion protection operations, we hold eight issued patents and one pending patent in the United States and six issued patents in foreign jurisdictions that relate to our cathodic protection business operated through our Corrpro subsidiary and interior surface coating inspection business operated through our CRTS subsidiary. We have one issued patent in the United States, and three issued patents and eight pending patents in foreign jurisdictions that relate to the Tite Liner[®] process, although we believe that the success of our Tite Liner[®] process business depends primarily upon our proprietary know-how and our installation, marketing and sales skills. The success of our pipeline coatings process operating through our Bayou subsidiaries depends primarily on our know-how and manufacturing expertise as well as our marketing and sales skills.

There can be no assurance that the validity of our patents will not be successfully challenged. Our business could be adversely affected by increased competition upon expiration of the patents or if one or more of our patents were adjudicated to be invalid or inadequate in scope to protect our operations. We believe in either case that our long experience with the proprietary processes, the strength of our trademarks and our degree of market penetration should enable us to continue to compete effectively in the pipeline rehabilitation, energy and mining and infrastructure protection markets.

See “Risk Factors” in Item 1A of this report for further discussion.

Competition

The markets in which we operate are highly competitive, primarily on the basis of price, quality of service and capacity to perform. Most of our products face direct competition from competitors offering similar or essentially equivalent products or services. In addition, customers can select a variety of methods to meet their infrastructure installation, strengthening and rehabilitation needs, as well as their coating and cathodic protection needs, including a number of methods that we do not offer.

In the trenchless sewer rehabilitation market, the CIPP process is the preferred method. Because relatively few significant barriers to entry exist in this market, any organization with adequate financial resources and access to technical expertise may become a competitor. As such, there are numerous companies with which we compete. Worldwide, we compete with numerous smaller firms on local or regional levels and with several larger firms on the global and national levels. Despite the number of competitors, Insituform, as the worldwide pioneer of this technology, has maintained its role as a global market leader, both in the United States and abroad.

In water rehabilitation, dig and replace is still the preferred method for the majority of customers. Currently, CIPP is utilized in less than five percent of water pipeline rehabilitation jobs in the United States. Because this is a much more specialized field, with more barriers to entry, including strict government mandates, we compete primarily with a handful of global and national specialty contractors.

In our infrastructure rehabilitation business, the FRP process competes against traditional methods of structural retrofitting, but is gaining rapid acceptance in the construction and retrofitting industry. Fibrwrap Construction has been performing successful installations of FRP systems for 24 years. With its proprietary technologies relating to both products and application, Fyfe Co. is a leader in the FRP market and Fibrwrap Construction is one of the most experienced installers of the FRP system and has a well established reputation. In this field, there are significant barriers to entry, including testing requirements, experience, intellectual property and certifications. Fyfe has teamed with a number of universities around the world to conduct extensive product testing. In addition, Fyfe has dedicated significant resources to obtaining technical market acceptance of its proprietary products. As a result, Fyfe has received a number of certifications, including NSF certification for its Tyfo[®] Fibrwrap[®] system, International Code Council - Evaluation Service (ICC-ES) PMG-1040 product certification and 2006 IBC compliance for its Tyfo[®] pipe system for pipe strengthening and an ICC-ES Evaluation Report (ESR-2103), indicating compliance with ICC-AC125 guidelines for FRP strengthening. Because of the significant barriers to entry, Fyfe Co. and Fibrwrap Construction tend to compete with a small number of companies on a regional or national level, most of which do not provide the full spectrum of services provided by Fyfe Co. and Fibrwrap Construction.

In our corrosion protection segment, Corrpro operates in the highly-competitive field of cathodic protection for corrosion control. While this market is highly competitive, because there are relatively few barriers to entry, Corrpro is the recognized market leader in North America in this field. Competitors include a limited number of large firms, which provide services nationally, and in some instances, globally, although more prevalent are a number of small- and medium-sized firms with a more limited portfolio of products and services, which are only provided on a regional or local level. Corrpro's competitive advantage is its broad depth of high-quality cathodic protection offerings, including its cost effective engineering, pipeline integrity construction and coating services, which are provided to customers worldwide. Through Hockway and our Corppower joint venture, we are expanding our position as a leader in cathodic protection.

The process of utilizing HDPE liners is one of the more prevalent methods to protect pipelines servicing the energy and mining industries. United Pipeline Systems is recognized worldwide as a leader in the HDPE market, having provided HDPE solutions on six continents. And, because of barriers to entry, due to necessary technological capabilities, United Pipeline Systems tends to only compete with a small number of specialty firms globally, nationally and regionally. Through our focused

efforts on expanding our services worldwide, United Pipeline Systems enjoys significant name recognition and substantial market share in this industry in the key energy and mining regions of the world.

The FBE process is one of the standard methods for pipe coating. Bayou has a presence in the North American FBE and insulation coating market. Because the pipe coating industry is very capital intensive, Bayou usually competes with a small number of global and national companies. However, Bayou also competes on a project-specific basis with small firms on local or regional jobs. These regional firms are often steel mills that have coatings plants onsite to provide for their internal coatings needs, but these firms will outsource their coatings services if projects are within their geographic reach. Competition from these regional firms on more than a project basis is unlikely as these firms tend to be restricted geographically due to their shipping limitations. CRTS has strong presence in the field of FBE coating and is an industry leader in inner diameter (ID) robotic coatings while our wholly-owned subsidiary, CCSI, is a leader in outer diameter (OD) coatings. Because of these specialized fields, CRTS and CCSI usually compete with a small number of specialty providers.

In our Energy Services segment, Brinderson operates in a fragmented and intensely competitive field of plant engineering, maintenance and construction services in the downstream petroleum refining industry, as well as performing work in the industrial and natural gas, gas processing and compression, and upstream petroleum markets. Brinderson competes with local, regional, national and international contractors and service providers. Competitors vary with the markets that are served with few competitors competing in all of the geographic markets we serve or in all of the services we provide. Contracts are generally awarded based on safety performance, reputation for quality, price, schedule, and client satisfaction.

There can be no assurance as to the success of our processes in competition with these companies and alternative technologies for pipe installation and rehabilitation, coating, cathodic protection and infrastructure installation, strengthening and rehabilitation.

Seasonality

Our operations can be affected by seasonal variations and our results tend to be stronger in the second and third quarters of each year due to milder weather. We are more likely to be impacted by weather extremes, such as excessive rain, hurricanes or monsoons, snow and ice or frigid temperatures, which may cause temporary, short-term anomalies in our operational performance in certain localized geographic regions. However, these impacts usually have not been material to our operations as a whole. See “Risk Factors” in Item 1A of this report for further discussion.

Employees

As of December 31, 2014, we had approximately 6,200 employees. Certain of our subsidiaries are parties to collective bargaining agreements covering an aggregate of approximately 1,400 employees. We generally consider our relations with our employees and unions to be good.

Insurance and Bonding

We are required to carry insurance and provide bonding in connection with certain projects and, accordingly, maintain comprehensive insurance policies, including workers’ compensation, general and automobile liability and property coverage. We believe that we presently maintain adequate insurance coverage for all operations. We have also arranged bonding capacity for bid, performance and payment bonds. Typically, the cost of a performance bond is less than 1% of the contract value. We are required to indemnify the surety companies against losses from third-party claims of customers and subcontractors. The indemnification obligations are collateralized by unperfected liens on our assets and the assets of those subsidiaries that are parties to the applicable indemnification agreement.

Government Regulation

We are required to comply with all applicable United States federal, state and local, and all applicable foreign statutes, regulations and ordinances. In addition, our installation and other operations have to comply with various relevant occupational safety and health regulations, transportation regulations, code specifications, permit requirements and bonding and insurance requirements, as well as with fire regulations relating to the storage, handling and transporting of flammable materials. Our manufacturing and coatings facilities, as well as our installation and other operations, are subject to federal and state environmental protection regulations, none of which presently have any material effect on our capital expenditures, earnings or competitive position in connection with our present business. However, although our installation and other operations have established monitoring programs and safety procedures, further restrictions could be imposed on the manner in which installation and other activities are conducted, on equipment used in installation and other activities, on volatile organic compounds and hazardous air pollutant emissions from our paintings and coatings processes and on the use of solvents or the thermosetting resins used in the Insituform® CIPP process.

The use of both thermoplastics and thermosetting resin materials in contact with drinking water is strictly regulated in most countries. In the United States, a consortium led by NSF International, under arrangements with the United States Environmental Protection Agency (“EPA”), establishes minimum requirements for the control of potential human health effects

from substances added indirectly to water via contact with treatment, storage, transmission and distribution system components, by defining the maximum permissible concentration of materials that may be leached from such components into drinking water, and methods for testing them. Our lining and coating products for drinking water use are NSF/ANSI Standard 61 compliant, including Fyfe's entire Tyfo[®] Fibrwrap[®] system and Insituform's full range of water pipe lining products. In addition, United Pipeline Systems' HDPE TiteLiner[®] system is certified to NSF/ANSI Standard 61. Corpro's corrosion control products are NSF/ANSI 61 classified for drinking water systems and its cathodic protection solutions for water storage tanks and water treatment units are compliant with AWWA Standard D104 and NACE recommended practices. NSF assumes no liability for use of any products, and NSF's arrangements with the EPA do not constitute the EPA's endorsement of NSF, NSF's policies or its standards. Dedicated equipment is needed in connection with use of these products in drinking water applications.

Item 1A. Risk Factors.

You should carefully consider the following risks and other information contained or incorporated by reference into this Annual Report on Form 10-K when evaluating our business and financial condition and an investment in our common stock. Should any of the following risks or uncertainties develop into actual events, such developments could have material adverse effects on our business, financial condition, cash flows and results of operations.

Our businesses face significant competition in the industries in which they operate.

Many of our products and services face direct competition from companies offering similar products or services. Competition places downward pressure on our contract prices and profit margins. Intense competition is expected to continue in these markets. However, we believe our diversification strategy of entering and expanding our offerings in high return markets and our focus on improved efficiencies is the key to maintaining our market share and growth rates in these markets. If we are unable to realize our objectives, we could lose market share to our competitors and experience an overall reduction in our profits.

In the water and wastewater rehabilitation portion of our Infrastructure Solutions segment, we face competition from companies providing similar products and services as well as companies providing other methods of rehabilitation that we do not offer, including traditional dig-and-replace, which is still the preferred method in the water rehabilitation market. In the trenchless wastewater rehabilitation market, CIPP is the preferred method. In the trenchless wastewater market, few significant barriers to entry exist and, as a result, any organization that has the financial resources and access to technical expertise and bonding may become a competitor. Although we compete with many smaller firms on a local or regional level, and with several larger firms on the global and national levels, we have been able to maintain our presence as the global leader in this field. In water rehabilitation, there are more significant barriers to entry, since it is strictly regulated. In this market, we compete with a smaller number of specialty contractors around the world.

In the infrastructure rehabilitation portion of our Infrastructure Solutions segment, the FRP process competes against traditional methods of structural retrofitting, but is gaining rapid acceptance in the construction and retrofitting industry. Fibrwrap has been performing successful installations of FRP systems for 24 years. In the FRP field, together Fyfe and Fibrwrap are one of the only companies offering manufacturing, engineering and technical expertise, as well extensive installation experience. Given there are significant barriers to entry, including testing requirements, experience, intellectual property and certifications, in manufacturing we only compete with a handful of FRP suppliers and in installation, we compete with a number of FRP installers. If any of our competitors were to become fully-integrated like us or if new entrants in the market were to develop strong installation and manufacturing expertise this could adversely impact our ability to grow revenues in this market.

In our Corrosion Protection platform, we compete primarily with a small number of global and national companies in the pipe coating industry, with specialty firms in the pipeline protection industry, with a limited number of large firms globally and with a large number of smaller firms regionally in the cathodic protection industry. In addition, customers can select a variety of methods to meet their pipe installation, rehabilitation, coating and cathodic protection needs, including methods that we do not offer. However, because of the breadth of high quality products and services we offer, we maintain a significant market presence and enjoy brand-name recognition worldwide in each of these fields.

In our Energy Services platform, we compete with a limited number of regional and national companies in the oil and gas engineering, procurement, construction, maintenance and turnaround industries.

Our business depends upon the maintenance of our proprietary technologies and information.

We depend upon our proprietary technologies and information, many of which are no longer subject to patent protection. We rely principally upon trade secret and copyright laws to protect our proprietary technologies. We regularly enter into confidentiality agreements with our key employees, customers and potential customers and limit access to and distribution of our trade secrets and other proprietary information. These measures may not be adequate to prevent misappropriation of our technologies or to assure that our competitors will not independently develop technologies that are substantially equivalent or

superior to our technologies. In addition, the laws of other countries in which we operate may not protect our proprietary rights to the same extent as the laws of the United States. We are also subject to the risk of adverse claims and litigation alleging infringement of intellectual property rights.

Our efforts to develop new products and services or enhance existing products and services involve substantial research, development and marketing expenses, and the resulting new or enhanced products or services may not generate sufficient revenues to justify such expenses.

Our future success will depend in part on our ability to anticipate and respond to changing technologies and customer requirements by enhancing our existing products and services. We will need to develop and introduce, on a timely and cost-effective basis, new products, features and services that address the needs of our customer base. As a result of these efforts, we may be required to expend substantial research, development and marketing resources, and the time and expense required to develop a new product or service or enhance an existing product or service are difficult to predict. We cannot assure that we will succeed in developing, introducing and marketing new products or services or product or service enhancements. In addition, we cannot be certain that any new or enhanced product or service will generate sufficient revenues to justify the expenses and resources devoted to this product diversification effort.

Acquisitions and investments could result in operating difficulties, dilution and other harmful consequences that may adversely impact our business and results of operations.

Acquisitions are an important element of our overall corporate strategy and use of capital, and these transactions could be material to our financial condition and results of operations. We expect to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions. The process of integrating an acquired company, business or technology has created, and will continue to create, unforeseen operating difficulties and expenditures. The areas where we face risks include:

- Diversion of management time and focus from operating our business to acquisition integration challenges.
- Failure to successfully further develop the acquired business or technology.
- Implementation or remediation of controls, procedures and policies at the acquired company.
- Integration of the acquired company's accounting, human resource and other administrative systems, and coordination of product, engineering and sales and marketing functions.
- Transition of operations, users and customers onto our existing platforms.
- Failure to obtain required approvals on a timely basis, if at all, from governmental authorities, or conditions placed upon approval, under competition and antitrust laws which could, among other things, delay or prevent us from completing a transaction, or otherwise restrict our ability to realize the expected financial or strategic goals of an acquisition.
- In the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.
- Cultural challenges associated with integrating employees from the acquired company into our organization, and retention of employees from the businesses we acquire.
- Liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities.
- Litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business generally.

Our acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, the assumption of contingent liabilities, amortization expenses, impairment of goodwill and purchased long-lived assets and restructuring charges, any of which could harm our financial condition or results of operations. Also, the anticipated benefit of many of our acquisitions may not materialize.

We may be liable to complete the work of our joint venture partners under our joint venture arrangements.

We enter into contractual joint ventures in order to develop joint bids on certain contracts. The success of these joint ventures depends largely on the satisfactory performance by our joint venture partners of their obligations with respect to the joint venture. Under these joint venture arrangements, we may be required to complete our joint venture partner's portion of

the contract if the joint venture partner is unable to complete its portion and a bond is not available. In such case, the additional obligations could result in reduced profits or, in some cases, significant losses for us.

Our backlog is an uncertain indicator of our future earnings.

Our backlog, which at December 31, 2014 was approximately \$758.0 million, is subject to unexpected adjustments and cancellation. The revenues projected in this backlog may not be realized or, if realized, may not result in profits. We may be unable to complete some projects included in our backlog in the estimated time and, as a result, such projects could remain in backlog for extended periods of time. To the extent that we experience project cancellation or scope adjustments, we could face a reduction in the dollar amount of our backlog and the revenues that we actually receive from such backlog. In addition, one or more of our multi-year contracts have in the past and may in the future contribute a material portion of our backlog in any one year. The loss of business from any one of these significant customers could have a material adverse effect on our business or results of operations.

The preparation of our consolidated financial statements requires us to make estimates and judgments, which are subject to an inherent degree of uncertainty and which may differ from actual results.

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Some accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty and actual results may differ from these estimates and judgments under different assumptions or conditions, which may have an adverse effect on our financial condition or results of operations in subsequent periods.

Our use of the percentage-of-completion method of accounting could result in a reduction or reversal of previously recorded results.

We employ the percentage-of-completion method of accounting for our construction projects. This methodology recognizes revenues and profits over the life of a project based on costs incurred to date compared to total estimated project costs. Revisions to revenues and profits are made once amounts are known and can be reasonably estimated. Given the uncertainties associated with some of our contracts, it is possible for actual costs to vary from estimates previously made. Revisions to estimates could result in the reversal of revenues and gross profit previously recognized. For the year ended December 31, 2014, approximately 64% of our revenues were derived from percentage-of-completion accounting.

We may experience cost overruns on our projects.

We conduct a significant portion of our business under guaranteed maximum price or fixed price contracts, where we bear a significant portion of the risk for cost overruns. Under such contracts, prices are established in part on cost and scheduling estimates, which are based on a number of assumptions, including assumptions about future economic conditions, prices and availability of materials and other exigencies. Our profitability depends heavily on our ability to make accurate estimates. Inaccurate estimates, or changes in other circumstances, such as unanticipated technical problems, difficulties obtaining permits or approvals, changes in local laws or labor conditions, weather delays, cost of raw materials or our suppliers' or subcontractors' inability to perform could result in substantial losses, as such changes adversely affect the revenue and gross profit recognized on each project.

Our recognition of revenues from change orders, extra work or variations in the scope of work could be subject to reversal in future periods.

We recognize revenues from change orders, extra work or variations in the scope of work as set forth in our written contracts with our clients when management believes that realization of these revenues is probable and the recoverable amounts can be reasonably estimated. We also factor in all other information that we possess with respect to the change order to determine whether the change order should be recognized at all and, if recognition is appropriate, what dollar amount of the change order should be recognized. Due to factors that we may not anticipate at the time of recognition, however, revenues ultimately received on these change orders could be less than revenues that we recognized in a prior reporting period or periods, which could require us in subsequent reporting periods to reduce or reverse revenues and gross profit previously recognized.

We may incur significant costs in providing services in excess of original project scope without having an approved change order.

After commencement of a contract, we may perform, without the benefit of an approved change order from the customer, additional services requested by the customer that were not contemplated in our contract price for various reasons, including customer changes or incomplete or inaccurate engineering, changes in project specifications and other similar information provided to us by the customer. Our construction contracts generally require the customer to compensate us for additional work or expenses incurred under these circumstances.

A failure to obtain adequate compensation for these matters could require us to record in the current period an adjustment to revenue and profit recognized in prior periods under the percentage-of-completion accounting method. Any such adjustments, if substantial, could have a material adverse effect on our results of operations and financial condition, particularly for the period in which such adjustments are made. We can provide no assurance that we will be successful in obtaining, through negotiation, arbitration, litigation or otherwise, approved change orders in an amount adequate to compensate us for our additional work or expenses.

Cyclical downturns in the mining, oil and natural gas industries, including a substantial or extended decline in the price of mined minerals, oil or natural gas, or in the oil field, refinery and mining services businesses, may have a material adverse effect on our financial condition or results of operations.

The mining, oil and natural gas industries are highly cyclical. Demand for the majority of the oil field, refinery and mining products and services provided by our Corrosion Protection and Energy Services platforms are substantially dependent on the level of expenditures by the mining, oil and natural gas industries for the exploration, development and production of mined minerals, crude oil and natural gas reserves, which are sensitive to the prices of these commodities and generally dependent on the industry's view of future mined mineral, oil and natural gas prices. The prices of these commodities can be extremely volatile. There are numerous factors affecting the related industries and, thereby, the supply of, and demand for, our products and services, which include, but are not limited to:

- market prices of mined minerals, oil and natural gas and expectations about future prices;
- cost of producing mined minerals, oil and natural gas;
- the level of mining, drilling and production activity;
- the discovery rate of new oil and gas reserves;
- mergers, consolidations and downsizing among our clients;
- coordination by the Organization of Petroleum Exporting Countries (OPEC);
- the output of certain oil-producing countries;
- the impact of commodity prices on the expenditure levels of our clients;
- financial condition of our client base and their ability to fund capital and maintenance expenditures;
- adverse weather conditions;
- political instability in oil-producing countries;
- tax incentives, including for alternative energy sources;
- domestic and worldwide economic conditions;
- weather conditions that can affect mining, oil or natural gas operations over a wide area;
- level of consumption of minerals, oil, natural gas and petrochemicals by consumers, including the effects of increased regulation, conservation measures and technological advances affecting energy consumption; and
- availability of services and materials for our clients to grow their capital expenditures.

As seen in the recent decline and historic high volatility in crude oil prices and other energy commodities, prices for mined minerals, oil and natural gas are subject to periodic downturns and large fluctuations in response to relatively minor changes in supply and demand, market uncertainty and a variety of other factors (including those set forth above) that are beyond our control, and we expect such prices to continue to be volatile. Demand for the products and services we provide could decrease in the event of a sustained reduction in demand for mined minerals, oil or natural gas, while perceptions of long-term decline in mined materials, oil and natural gas prices by mining, oil and gas companies (some of our customers) can similarly reduce or defer major expenditures given the long-term nature of many large-scale projects or result in downward pressure on the prices we charge. As such, a significant downturn in the mining, oil and/or natural gas industries could result in a reduction in demand for our mining, oil field and refinery services and could adversely affect our operating results. Additionally, the volatility of such prices and the resulting effects are difficult to predict, which reduces our ability to anticipate and respond effectively to changing conditions.

Our operations could be adversely impacted by the continuing effects from the U.S. government regulations on offshore drilling projects.

In response to the Deepwater Horizon incident in the U.S. Gulf of Mexico in April 2010, the U.S. government implemented various new regulations intended to improve offshore drilling safety and environmental protection and increase liability for oil spills in the federal waters of the outer continental shelf. These new regulations increased the complexity of the drilling permit process and have delayed the receipt of drilling permits in both deepwater and shallow-water areas since the incident.

While there has been an increase in the number of drilling permits issued, and drilling activity is recovering, we cannot predict what the continuing effects from the U.S. government regulations on offshore deepwater drilling projects may have on offshore oil and gas exploration and development activity, or what actions may be taken by our customers in our Corrosion Protection segment or other industry participants in response to these regulations. This could reduce demand for our services, which could have an adverse impact on certain aspects of our business.

Our operations could be adversely impacted by new California legislation related to downstream work performed in California refineries.

In our Energy Services segment, our Brinderson operation may face challenges with the addition of section 25536.7 to the California Health and Safety Code on January 1, 2014. The law introduced new requirements for refineries and outside contractors at covered facilities when construction, alteration, demolition, installation, repair or maintenance work is performed at the covered facility. The law imposes the following new requirements:

- all subject workers must be paid the applicable prevailing wage rate;
- all subject workers must be either “skilled journeymen” or “registered apprentices”; and
- commencing January 1, 2014, at least 30% of skilled journeypersons on the project must be graduates of certified apprenticeship programs, which percentage increases to 45% on January 1, 2015 and 60% on January 1, 2016.

The new requirements only pertain to contracts entered into, extended or renewed after January 1, 2014. Brinderson currently has long term contracts in place with its major downstream clients, but its operations may be adversely impacted to become fully compliant with Section 25536.7 of the California Health and Safety Code when the contracts expire.

Federal and state legislative and regulatory initiatives as well as governmental reviews relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays that could adversely affect our Corrosion Protection and Energy Services customers.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays in the production of oil and natural gas, including from the developing shale plays. Our Corrosion Protection and Energy Services segments service oil and gas companies in the shale plays and we foresee strong market opportunities here. A decline in drilling of new wells and related servicing activities caused by these initiatives could adversely affect our financial position, results of operations and cash flows.

A general downturn in U.S. and global economic conditions, and specifically a downturn in the municipal bond market, may reduce our business prospects and decrease our revenues and cash flows.

Our business is affected by general economic conditions. Any extended weakness in the U.S. and global economies could reduce our business prospects and could cause decreases in our revenues and operating cash flows. Specifically, a downturn in the municipal bond market caused by an actual downgrade of monoline insurers could result in our municipal customers being required to spend municipal funds previously allocated to projects that would benefit our business to pay off outstanding bonds.

We conduct manufacturing, sales and distribution operations on a worldwide basis and are subject to a variety of risks associated with doing business outside the United States.

We maintain significant international operations, including operations in North America, Europe, Asia-Pacific, Australia, the Middle East, South America, Latin America and Africa. For the years ended December 31, 2014, 2013 and 2012, approximately 30.4%, 38.4% and 42.1%, respectively, of our revenues were derived from international operations. We expect a significant portion of our revenues and profits to come from international operations and joint ventures for the foreseeable future and to continue to grow over time.

As a result, we are subject to a number of risks and complications associated with international manufacturing, sales, services and other operations. These include:

- difficulties in enforcing agreements, collecting receivables, resolving disputes through some foreign legal systems;
- foreign customers with longer payment cycles than customers in the United States;

- difficulties in enforcing intellectual property rights or weaker intellectual property right protections in some countries;
- tax rates in certain foreign countries that exceed those in the United States and foreign earnings subject to withholding requirements;
- tax laws that restrict our ability to use tax credits, offset gains or repatriate funds;
- tariffs, exchange controls or other trade restrictions including transfer pricing restrictions when products produced in one country are sold to an affiliated entity in another country;
- abrupt changes in foreign government policies and regulations;
- unsettled political conditions;
- acts of terrorism or criminality;
- kidnapping of employees;
- nationalization or privatization of companies with which we do business;
- forced negotiation or modification of contracts;
- increased governmental ownership and regulation of markets in which we operate;
- the financial instability of, and the related inability or unwillingness to timely pay for our services by, national oil companies and other foreign customers resulting from, and/or exacerbated by, the current significant decline in oil and natural gas prices;
- hostility from local populations, particularly in the Middle East; and
- difficulties associated with compliance with a variety of laws and regulations governing international trade, including the Foreign Corrupt Practices Act.

To the extent that our international operations are affected by these unexpected and adverse foreign economic and political conditions, we may experience project disruptions and losses that could significantly reduce our revenues and profits.

Implementation and achievement of international growth objectives also may be impeded by political, social and economic uncertainties or unrest in countries in which we conduct operations or market or distribute our products. In addition, compliance with multiple, and potentially conflicting, international laws and regulations, import and export limitations, anti-corruption laws and exchange controls may be difficult, burdensome or expensive.

For example, we are subject to compliance with various laws and regulations, including the Foreign Corrupt Practices Act and similar anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. While our employees and agents are required to comply with these laws, we cannot assure you that our internal policies and procedures will always protect us from violations of these laws, despite our commitment to legal compliance and corporate ethics. The occurrence or allegation of these types of risks may adversely affect our business, performance, prospects, value, financial condition and results of operations.

Operational disruptions caused by political instability and conflict in the Middle East could adversely impact our current operations and plans of expansion in the Middle East.

Our Corrosion Protection segment currently operates in the Middle East and continues to focus efforts on accelerating expansion into the Middle East. Political instability and social unrest in the Middle East, as well as the potential for catastrophic events such as abrupt political change, terrorist acts and conflicts or wars may cause damage or disruption to the economy, financial markets and our current and prospective customers in the Middle East. Political instability and conflicts and the potential for catastrophic events in the Middle East have contributed to, and will likely continue to contribute to, volatility in the prices of oil and natural gas. As noted above in these risk factors, a significant downturn in the oil and natural gas industries in the Middle East or elsewhere could result in reduced demand for our oil field and refinery services and could adversely affect our operations and operating results.

As a result of our operations and plans of expansion in the Middle East, we are also exposed to certain other uncertainties not generally encountered in our U.S. operations, including those detailed in the risks detailed in the risk factor immediately above.

Business operations could be adversely affected by terrorism.

The threat of, or actual acts of, terrorism may affect our operations around the world in unpredictable ways and may force an increase in security measures and cause disruptions in supplies and markets. If any of our facilities, including our

manufacturing facilities, or if any of the projects we are working on, particularly in the energy and mining sector, were to be a direct target, or an indirect casualty, of an act of terrorism, our operations could be adversely affected. Corresponding instability in the financial markets as a result of terrorism also could adversely affect our ability to raise capital.

International trade tariffs and restrictions in the steel market may adversely affect our Bayou business.

The business of our subsidiary, Bayou, is heavily dependent on providing products and services to customers that import steel pipe into the United States from the international markets. To the extent that trade tariffs and other restrictions imposed by the United States increase the price of, or limit the amount of, steel pipe imported into the United States, the demand from Bayou's customers for Bayou's products and services will be diminished, which will adversely affect Bayou's revenues and profitability.

We have international operations that are subject to foreign economic uncertainties and foreign currency fluctuation.

Global financial and credit markets have been, and continue to be, unstable and unpredictable. Worldwide economic conditions have been weak and may deteriorate further. For example, the credit issues in the European Union relating to sovereign and other debt obligations as well as other factors have affected economies worldwide. The instability of the markets and weakness of the economy could continue to affect the demand for our services, the financial strength of our customers and suppliers, their ability or willingness to do business with us, our willingness to do business with them, and/or our suppliers' and customers' ability to fulfill their obligations to us and/or the ability of us, our customers or our suppliers to obtain credit. These factors could adversely affect our operations, earnings and financial condition.

A significant portion of our contracts and revenues are denominated in foreign currencies, which may result in additional risk of fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. Changes in the value of foreign currencies could increase our U.S. dollar costs for, or reduce our U.S. dollar revenues from, our foreign operations. Any increased costs or reduced revenues as a result of foreign currency fluctuations could affect our profits. For example, if there continues to be a significant strengthening of the U.S. Dollar compared to the Euro, the Canadian Dollar or the Australian Dollar, it may adversely affect our operating results and financial condition.

Our success and growth strategy depend on our senior management and our ability to attract and retain qualified personnel.

We depend on our senior management for the success and future growth of the operations and revenues of our company, and the loss of any member of our senior management could have an adverse impact on our operations. Such a loss may be a distraction to senior management as we search for a qualified replacement, could result in significant recruiting, relocation, training and other costs and could cause operational inefficiencies as a replacement becomes familiar with our business and operations.

In addition, we use a multi-level sales force structured around target markets and key accounts, focusing on marketing our products and services to engineers, consultants, administrators, technical staff and elected officials. We are dependent on our personnel to continue to develop improvements to our proprietary processes, including materials used and the methods of manufacturing, installing, strengthening, coating and cathodic protection and we require quality field personnel to effectively and profitably perform our work. Our success in attracting and retaining qualified personnel is dependent on the resources available in individual geographic areas and the impact on the labor supply of general economic conditions, as well as our ability to provide a competitive compensation package and work environment. Our failure to attract, train, integrate, engage and retain qualified personnel could have a significant effect on our financial condition and results of operations.

An inability to attract and retain qualified personnel, and in particular, engineers, project managers, linemen skilled craft workers and other experienced professionals, could impact our ability to perform on our contracts, which could harm our business and impair our future revenues and profitability.

Our ability to attract and retain qualified engineers, project managers, linemen, skilled craftsmen and other experienced professionals in accordance with our needs is an important factor in our ability to maintain profitability and grow our business. The market for these professionals is competitive, particularly during periods of economic growth when the supply is limited. We cannot provide any assurance that we will be successful in our efforts to retain or attract qualified personnel when needed. Therefore, when we anticipate or experience growing demand for our services, we may incur additional cost to maintain a professional staff in excess of our current contract needs in an effort to have sufficient qualified personnel available to address this anticipated demand. If we do incur additional compensation and benefit costs, our customer contracts may not allow us to pass through these costs.

Competent and experienced engineers, project managers and craft workers are especially critical to the profitable performance of our contracts, particularly on our fixed-price contracts where superior design and execution of the project can result in profits greater than originally estimated or where inferior design and project execution can reduce or eliminate

estimated profits or even result in a loss. Our project managers are involved in most aspects of contracting and contract execution including:

- supervising the bidding process, including providing estimates of significant cost components, such as material and equipment needs, and the size, productivity and composition of the workforce;
- negotiating contracts;
- supervising project performance, including performance by our employees, subcontractors and other third-party suppliers and vendors;
- estimating costs for completion of contracts that is used to estimate amounts that can be reported as revenues and earnings on the contract under the percentage-of-completion method of accounting;
- negotiating requests for change orders and the final terms of approved change orders; and
- determining and documenting claims by us for increased costs incurred due to the failure of customers, subcontractors and other third-party suppliers of equipment and materials to perform on a timely basis and in accordance with contract terms.

Our profitability could be negatively impacted if we are not able to maintain appropriate utilization of our workforce.

The extent to which we utilize our workforce affects our profitability. If we under utilize our workforce, our project gross margins and overall profitability suffer in the short-term. If we over utilize our workforce, we may negatively impact safety, employee satisfaction and project execution, which could result in a decline of future project awards. The utilization of our workforce is impacted by numerous factors including:

- our estimate of the headcount requirements for various units based upon our forecast of the demand for our products and services;
- our ability to maintain our talent base and manage attrition;
- our ability to schedule our portfolio of projects to efficiently utilize our employees and minimize downtime between project assignments; and
- our need to invest time and resources into functions such as training, business development, employee recruiting, and sales that are not chargeable to customer projects.

Our business may be adversely impacted by work stoppages, staffing shortages and other labor matters.

Our Brinderson business has approximately 2,500 employees, approximately 2,300 of whom are located in California, where employees predominantly are represented by unions. Although we believe that our relations with our employees and the unions are good, no assurances can be made that we will not experience these and other types of conflicts with labor unions, works councils, other groups representing employees, or our employees in general, especially in the context of any future negotiations with our labor unions. We can also make no assurance that future negotiations with our labor unions will not result in a significant increases in the cost of labor. None of our Brinderson employees participate in multi-employer benefit plans.

Additionally, the employees of some of our customers are unionized, especially the customers of our Brinderson business. Any strikes, work stoppages or other labor matters experienced by our customers may impact our ability to work on projects and, as a result, have an adverse effect on our financial condition and results of operations.

The revenues from the water and wastewater portion of our Infrastructure Solutions platform are substantially dependent on municipal government spending.

Many of our customers are municipal governmental agencies and, as such, we are dependent on municipal spending. Spending by our municipal customers can be affected by local political circumstances, budgetary constraints and other factors. Consequently, future municipal spending may not be allocated to projects that would benefit our business or may not be allocated in the amounts or for the size of the projects that we anticipated. A decrease in municipal spending on such projects would adversely impact our revenues, results of operations and cash flows.

The loss of one or more of our significant customers could adversely affect us.

One or more customers have in the past and may in the future contribute a material portion of our revenues in any one year. Because these significant customers generally contract with us for specific projects or for specific periods of time, we may lose these customers from year to year as the projects or maintenance contracts are completed. The loss of business from any one of these customers could have a material adverse effect on our business or results of operations.

The execution of our growth strategy is dependent upon the continued availability of third-party financing arrangements for our customers.

The economic climate has resulted in tighter credit markets, which has adversely affected our customers' ability to secure the financing necessary to proceed or continue with pipe or other infrastructure installation, rehabilitation, strengthening, coating and cathodic protection projects. Our customers' or potential customers' inability to secure financing for projects could result in the delay, cancellation or downsizing of new projects or the suspension of projects already under contract, which could cause a decline in the demand for our services and negatively impact our revenues and earnings.

A substantial portion of our raw materials is from a limited number of vendors, and we are subject to market fluctuations in the prices of certain commodities.

The primary products and raw materials used by our Corrpro operations include zinc, aluminum, magnesium and other metallic anodes, as well as wire and cable. We believe that Corrpro has multiple sources available for these raw materials and is not dependent on any single vendor to meet its supply needs. However, the prices of these raw materials have historically been affected by the prices of energy, petroleum, steel and other commodities, tariffs and duties on imported materials and foreign currency and exchange rates. A significant increase in the prices of these raw materials could adversely affect our results of operations.

We purchase the majority of our fiber requirements for tube manufacturing from two sources. We believe, however, that alternate sources are readily available, and we continue to negotiate with other supply sources. The manufacture of the tubes used in our rehabilitation business is dependent upon the availability of resin, a petroleum-based product. We currently have qualified four resin suppliers from which we intend to purchase the majority of our resin requirements for our North American operations. For our European operations, we currently have qualified six resin suppliers and for our Asia-Pacific operations, we currently have qualified six resin suppliers. We believe that these and other sources of resin supply are readily available. Historically, resin prices have fluctuated on the basis of the prevailing prices of oil, and we anticipate that prices will continue to be heavily influenced by the events affecting the oil market. If there is a shortage or contraction of fiber or resin suppliers or if the price of fiber or resin increase, it could have an adverse affect on our results of operations.

The primary products and raw materials used by the infrastructure rehabilitation portion of our Infrastructure Solutions segment in the manufacture of FRP composite systems are carbon, glass, resins, fabric, and epoxy raw materials. Carbon and epoxies are the largest materials purchased, which are currently purchased through a select group of suppliers, although we believe these and the other materials are available from a number of vendors. The price of epoxy historically is affected by the price of oil. In addition, a number of factors such as worldwide demand, labor costs, energy costs, import duties and other trade restrictions may influence the price of these raw materials. An increase in the price of these raw materials may have an adverse affect on our operations.

We also purchase a significant volume of fuel to operate our trucks and equipment. At present, we do not engage in any type of hedging activities to mitigate the risks of fluctuating market prices for oil or fuel. A significant increase in the price of oil could cause an adverse effect on our cost structure that we may not be able to recover from our customers.

Extreme weather conditions may adversely affect our operations.

We are likely to be impacted by weather extremes, such as excessive rain or hurricanes, typhoons, snow and ice or frigid temperatures, which may cause temporary, short-term anomalies in our operational performance in certain localized geographic regions. Our Infrastructure Solutions segment is particularly sensitive to weather extremes. Delays and other weather impacts could adversely affect our ability to meet project deadlines and may increase a project's cost and decrease its profitability.

Certain of our facilities are located in regions that may be affected by natural disasters.

Certain of our Bayou facilities are located on the Gulf Coast in Louisiana. This region is subject to increased hurricane activity that can result in substantial flooding. Our Bayou facilities have in the past experienced damage due to winds and floods. Although we maintain flood loss insurance where necessary, a hurricane, flood or other natural disaster could result in significant damage to our facilities, recovery costs and interruption to certain of our operations.

Our Brinderson business serves large oil and gas customers in California and is headquartered in Costa Mesa, California with operations throughout California, near major earthquake faults. Furthermore, our Fyfe/Fibrwrap business has substantial operations in California near major earthquake faults. While we carry earthquake insurance, a catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems or our clients' facilities could harm our ability to conduct normal business operations and our operating results.

The actual timing, costs and benefits of the 2014 Restructuring Plan may differ from those currently expected, which may reduce our operating results.

On October 6, 2014, we announced the 2014 Restructuring Plan, a broad realignment and restructuring plan that is intended to exit low-return businesses and reduce the size and cost of our overhead structure to improve gross margins and profitability in the long term.

We expect to carry out the 2014 Restructuring Plan throughout 2015 and expect to incur significant charges related the 2014 Restructuring Plan, which will reduce our profitability in the periods incurred.

The 2014 Restructuring Plan is subject to various risks, which could result in the actual timing, costs and benefits of the plan differing from those currently anticipated. These risks and uncertainties include, among others that: (i) we may not be able to implement the 2014 Restructuring Plan in the timeframe currently planned; (ii) our costs related to the 2014 Restructuring Plan may be higher than currently estimated; and (iii) unanticipated disruptions to our operations may result in additional costs being incurred. We also cannot assure you that we will not undertake additional restructuring activities in the future. Because of these and other factors, we cannot predict whether we will realize the purpose and anticipated benefits of the 2014 Restructuring Plan, and if we do not, our business and results of operations may be adversely impacted.

Additionally, the 2014 Restructuring Plan may yield unintended consequences, such as:

- actual or perceived disruption of service or reduction in service standards to customers;
- the failure to preserve supplier relationships and distribution, sales and other important relationships and to resolve conflicts that may arise;
- attrition beyond our intended reduction in headcount and reduced employee morale, which may cause our employees who were not affected by the 2014 Restructuring Plan to seek alternate employment;
- increased risk of employment litigation; and
- diversion of management attention from ongoing business activities.

Changes in the industries within which we operate and market conditions could lead to charges related to discontinuances of certain of our businesses, asset impairment, workforce reductions or restructurings.

In response to changes in industry and market conditions, we may be required to strategically realign our resources and to consider restructuring, disposing of, or otherwise exiting businesses. Any resource realignment, or decision to limit investment in or dispose of or otherwise exit businesses, may result in the recording of special charges, such as asset write-offs, workforce reduction or restructuring costs or charges relating to consolidation of excess facilities or businesses. Our estimates with respect to the useful life or ultimate recoverability of our carrying basis of assets, including purchased intangible assets, could change as a result of such assessments and decisions. Further, our estimates relating to the liabilities for excess facilities are affected by changes in real estate market conditions.

We may incur further impairments to goodwill or long-lived assets

We review our long-lived assets, including goodwill and other intangible assets, for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The valuation of goodwill and other intangible assets requires assumptions and estimates of many critical factors, including revenue and market growth, operating cash flows, market multiples and discount rates. Negative industry or economic trends, including reduced market prices of our common stock, reduced estimates of future cash flows, disruptions to our business, slower growth rates, or lack of growth in our relevant businesses, could lead to impairment charges against our long-lived assets, including goodwill and other intangible assets. If, in any period, our stock price decreases to the point where our fair value, as determined by our market capitalization, is less than the book value of our assets for an extended period of time, this could also indicate a potential impairment, and we may be required to record an impairment charge in that period, which could adversely affect our results of operations.

We may be subject to information technology system failures, network disruptions, cybersecurity attacks and breaches in data security, which could disrupt our operations and could result in a loss of assets.

We depend on information technology as an enabler to improve the effectiveness of our operations and to interface with our customers, as well as to maintain financial accuracy and efficiency. Information technology system failures, including suppliers' or vendors' system failures, could disrupt our operations by causing transaction errors, processing inefficiencies, delays or cancellation of customer orders, the loss of customers, impediments to the manufacture or shipment of products, other business disruptions, the loss of or damage to intellectual property through security breach, the loss of employee personal information or vulnerability to theft. These events could impact our customers, employees and reputation and lead to financial losses from remediation actions, loss of business or potential liability or an increase in expense, all of which may have a material adverse effect on our business.

We are subject to a number of restrictive debt covenants under our line of credit facility.

In July 2013, the Company entered into a \$650.0 million senior secured credit facility (the “Credit Facility”) with a syndicate of banks. Bank of America, N.A. served as the administrative agent. Merrill Lynch Pierce Fenner & Smith Incorporated, JPMorgan Securities LLC and U.S. Bank National Association acted as joint lead arrangers and joint book managers in the syndication. The Credit Facility consists of a \$300.0 million five-year revolving line of credit and a \$350.0 million five-year term loan facility, each with a maturity date of July 1, 2018. At December 31, 2014, \$319.4 million of the term loan and \$45.5 million of the line of credit was outstanding. Our Credit Facility contains certain restrictive covenants, which restrict our ability to, among other things, incur additional indebtedness, incur certain liens on our assets or sell assets, make investments and make other restricted payments. Our Credit Facility also requires us to maintain specified financial ratios under certain conditions and satisfy financial condition tests. Our ability to meet those financial ratios and tests and otherwise comply with our financial covenants may be affected by the factors described in this “Risk Factors” section of this report and other factors outside our control, and we may not be able to continue to meet those ratios, tests and covenants. Our ability to generate sufficient cash from operations to meet our debt obligations will depend upon our future operating performance, which will be affected by general economic, financial, competitive, business and other factors beyond our control. A breach of any of these covenants, ratios, tests or restrictions, as applicable, or any inability to pay interest on, or principal of, our outstanding debt as it becomes due could result in an event of default. Upon an event of default, if not waived by our lenders, our lenders may declare all amounts outstanding as due and payable.

At December 31, 2014, we were in compliance with all of our debt covenants as required under the Credit Facility. If we are unable to comply with the restrictive covenants in the future, we would be required to obtain amendments or waivers from our lenders or secure another source of financing. If our current lenders accelerate the maturity of our indebtedness, we may not have sufficient capital available at that time to pay the amounts due to our lenders on a timely basis. In addition, these restrictive covenants may prevent us from engaging in transactions that benefit us, including responding to changing business and economic conditions and taking advantage of attractive business opportunities.

We occasionally access the financial markets to finance a portion of our working capital requirements and support our liquidity needs. Our ability to access these markets may be adversely affected by factors beyond our control and could negatively impact our ability to finance our operations, meet certain obligations or implement our operating strategy.

We occasionally borrow under our existing credit facility to fund operations, including working capital investments. Market disruptions such as those experienced in the United States and abroad have materially impacted liquidity in the credit and debt markets, making financing terms for borrowers less attractive and, in certain cases, resulting in the unavailability of certain types of financing. Uncertainty in the financial markets may negatively impact our ability to access additional financing or to refinance our existing credit facility or existing debt arrangements on favorable terms or at all, which could negatively affect our ability to fund current and future expansion as well as future acquisitions and development. These disruptions may include turmoil in the financial services industry, volatility in the markets where our outstanding securities trade and general economic downturns in the areas where we do business. If we are unable to access funds at competitive rates, or if our short-term or long-term borrowing costs increase, our ability to finance our operations, meet our short-term obligations and implement our operating strategy could be adversely affected.

As a holding company, Aegion depends on its operating subsidiaries to meet its financial obligations.

Aegion Corporation is a holding company with no significant operating assets. Our subsidiaries conduct all of our operations and own substantially all of our assets. Our cash flow and our ability to meet our obligations depends on the cash flow of our subsidiaries. In addition, the payments of funds in the form of dividends, intercompany payments, tax sharing payments and other forms may be subject to restrictions under the laws of the states and countries in which we operate.

The market price of our common stock is highly volatile and may result in investors selling shares of our common stock at a loss.

The trading price of our common stock is highly volatile and subject to wide fluctuations in price in response to various factors, many of which are beyond our control, including:

- actual or anticipated variations in quarterly operating results;
- changes in financial estimates by securities analysts that cover our stock or our failure to meet these estimates;
- conditions or trends in the U.S. sewer rehabilitation market;
- conditions or trends in mined materials, oil and natural gas markets;
- changes in municipal and corporate spending practices;
- a downturn of the municipal bond market or lending markets generally;

- changes in market valuations of other companies operating in our industries;
- announcements by us or our competitors of a significant acquisition or divestiture; and
- additions or departures of key personnel.

In addition, the stock market in general and the Nasdaq Global Select Market in particular have experienced extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of listed companies. Industry factors may seriously harm the market price of our common stock, regardless of our operating performance. Such stock price volatility could result in investors selling shares of our common stock at a loss.

Future sales of our common stock or equity-linked securities in the public market could adversely affect the trading price of our common stock and our ability to raise funds in new stock offerings.

Sales of substantial numbers of additional shares of our common stock or any shares of our preferred stock, including sales of shares in connection with any future acquisitions, or the perception that such sales could occur, may have a harmful effect on prevailing market prices for our common stock and our ability to raise additional capital in the financial markets at a time and price favorable to us. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy, to adjust our ratio of debt to equity, to satisfy obligations upon exercise of outstanding warrants or options or for other reasons. Our certificate of incorporation provides that we have authority to issue 125,000,000 shares of common stock. As of December 31, 2014, 37,360,515 shares of common stock were issued and outstanding.

Provisions in our certificate of incorporation could make it more difficult for a third party to acquire us or could adversely affect the rights of holders of our common stock or the market price of our common stock.

Our certificate of incorporation provides that our board of directors has the authority, without any action of our stockholders, to issue up to 2,000,000 shares of preferred stock. Preferred stock may be issued upon such terms and with such designations as our board of directors may fix in its discretion, including with respect to: (i) the payment of dividends upon our liquidation, dissolution or winding up; (ii) voting rights that dilute the voting power of our common stock; (iii) dividend rates; (iv) redemption or conversion rights; (v) liquidation preferences; or (vi) voting rights.

In addition, our certificate of incorporation provides that subject to the rights of the holders of any class or series of preferred stock set forth in our certificate of incorporation, the certificate of designation relating to such class or series of preferred stock, or as otherwise required by law, any stockholder action may be taken only at a meeting of stockholders and may not be effected by any written consent by such stockholders. The affirmative vote of the holders of at least 80% of the capital stock entitled to vote for the election of directors is required to amend, repeal or adopt any provision inconsistent with such arrangement.

These provisions could potentially be used to discourage attempts by others to obtain control of our company through merger, tender offer, proxy, consent or otherwise by making such attempts more difficult or more costly, even if the offer may be considered beneficial by our stockholders. These provisions also may make it more difficult for stockholders to take action opposed by our board of directors or otherwise adversely affect the rights of holders of our common stock or the market price of our common stock.

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. Our present policy is to retain earnings to provide for the operation and expansion of our business or for the repurchase of shares of our common stock. Any payment of cash dividends will depend upon our earnings, financial condition, cash flows, financing agreements and other factors deemed relevant by our board of directors. Furthermore, under the terms of certain debt arrangements to which we are a party, we are subject to certain limitations on paying dividends. However, we carefully review this policy regularly and could initiate dividends in the future, depending on appropriate circumstances.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We own our executive offices located in Chesterfield, Missouri, a suburb of St. Louis, at 17988 Edison Avenue. We also own our research and development and training facilities in Chesterfield.

We own a liner manufacturing facility and a contiguous felt manufacturing facility in Batesville, Mississippi. Insituform Linings, our United Kingdom manufacturing company, owns certain premises in Wellingborough, United Kingdom, where its felt liner manufacturing facility is located and leases a facility for its glass liner manufacturing.

Fyfe Co., our wholly-owned subsidiary, leases an office in San Diego, California.

Corpro, our wholly-owned subsidiary, owns certain office and warehouse space in Medina, Ohio. Its subsidiary, Corpro Canada Inc., also owns certain premises in Edmonton, Alberta, Canada and Estevan, Saskatchewan, Canada used for office and warehouse space. In addition, our Corpro subsidiary in the United Kingdom, Corpro Companies Europe Ltd., owns an office and production facility in Stockton-on-Tees, United Kingdom.

Our wholly-owned subsidiary, United Pipeline Systems, owns an office and shop facility as well as additional property in Durango, Colorado. In addition, our wholly-owned Canadian subsidiary, United Pipeline Systems Limited, owns an operating facility in Edmonton, Alberta, Canada for office space and manufacturing.

Our wholly-owned subsidiary, Bayou, owns a pipe yard in New Iberia, Louisiana and leases approximately 221 acres from the Port of Iberia and other property owners in Louisiana, of which certain portions have been subleased to our other Bayou subsidiaries.

Our joint venture, BPPC, owns a pipe coating and insulation facility in Camrose, Alberta, Canada.

CCSI, another wholly-owned subsidiary, owns properties in Bakersfield, California and Conroe, Texas that are used as office space and operational facilities.

Our wholly-owned subsidiary, Brinderson, leases an office in Costa Mesa, California for its headquarters and also leases various operational facilities throughout the Western United States and Texas.

We own or lease various operational facilities in the United States, Canada, Europe, Latin America, South America, Asia-Pacific, Australia and the Middle East and the foregoing facilities are regarded by management as adequate for the current requirements of our business.

Item 3. Legal Proceedings.

We are involved in certain actions incidental to the conduct of our business and affairs. Management, after consultation with legal counsel, does not believe that the outcome of any such actions, individually and in the aggregate, will have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosure.

None.

Item 4A. Executive Officers of the Registrant.

Our executive officers, and their respective ages and positions with us, are as follows:

Charles R. Gordon	56	President and Chief Executive Officer
David F. Morris	53	Executive Vice President, Chief Administrative Officer, General Counsel and Secretary
David A. Martin	47	Executive Vice President and Chief Financial Officer
John D. Huhn	46	Senior Vice President, Strategy and Corporate Development
Kenneth L. Young	63	Senior Vice President and Treasurer
Laura M. Villa	45	Senior Vice President – Human Resources

Charles R. Gordon serves as our President and Chief Executive Officer, a position he has held since October 2014. Mr. Gordon had been serving as the Company's interim Chief Executive Officer since May 2014 and has served on the Company's Board of Directors since 2009. Prior to serving as interim Chief Executive Officer of the Company, Mr. Gordon served as Chief Executive Officer of Natural Systems Utilities, LLC, a distributed water infrastructure company, from February 2014 to May 2014. Prior to Natural Systems Utilities, LLC, Mr. Gordon was President and Chief Operating Officer of Nuverra Environmental Solutions, Inc. (a holding company formerly known as Heckmann Corporation that buys and builds companies in the water sector) from November 2010 until his resignation in October 2013. Mr. Gordon was President and Chief Executive Officer of Siemens Water Technologies (a business unit of Siemens AG, a world leader in products, systems and services for water and wastewater treatment for industrial, institutional and municipal customers) from 2008 to 2010. Previously, Mr. Gordon served as Executive Vice President of the Siemens Water & Wastewater Systems Group from 2005 to 2008 and as Executive Vice President of the Siemens Water & Wastewater Services and Products Group from 2003 to 2005. His past experience also includes various management positions with US Filter Corporation and Arrowhead Industrial Water, prior to the acquisition of US Filter Corporation by the Siemens family of companies in 2004.

David F. Morris serves as our Executive Vice President, Chief Administrative Officer, General Counsel and Secretary, a position he has held since October 2014. Mr. Morris served as our Vice President, Chief Administrative Officer, General Counsel and Secretary beginning in January 2005 through April 2007, at which time he was promoted to Senior Vice President. Mr. Morris became our Chief Administrative Officer in August 2007. From March 1993 until January 2005, Mr. Morris was an

attorney with the law firm of Thompson Coburn LLP, St. Louis, Missouri, most recently as a partner in its corporate and securities practice areas.

David A. Martin serves as our Executive Vice President and Chief Financial Officer, a position he has held since October 2014. Mr. Martin served as our Vice President and Chief Financial Officer from August 2007 through April 2009, at which time he was promoted to Senior Vice President and Chief Financial Officer, a position he held from April 2009 to October 2014. Previously, he was Vice President and Corporate Controller and finance director of our European operations. Mr. Martin joined our Company in 1993 from the accounting firm of BDO Seidman, LLP, where he was a senior accountant.

John D. Huhn serves as our Senior Vice President, Strategy & Corporate Development, a position he has held since October 2014. Mr. Huhn served as our Vice President, Strategy & Corporate Development from June 2014 until October 2014. Prior to rejoining Aegion in June 2014, Mr. Huhn served as Vice President, Strategy and Corporate Development for HBM Holdings, a private equity firm that acquires, builds and operates middle market businesses, a position he held since 2012. Prior to HBM Holdings, Mr. Huhn served as our Vice President, Strategy and Corporate Development from 2008 to 2012.

Kenneth L. Young serves as our Senior Vice President and Treasurer, a position he has held since October 2014. Mr. Young served as our Vice President and Treasurer from April 2009 until October 2014. Prior to joining our Company in April 2009, he served as the Chief Financial Officer, Secretary and Treasurer for Huttig Building Products, Inc. (a building supply distributor), from 2005 to 2009. Prior to that, he served as Corporate Treasurer for MEMC Electronic Materials (now SunEdison, Inc.) from 1989 to 2005.

Laura M. Villa serves as our Senior Vice President – Human Resources, a position she has held since October 2014. Ms. Villa served as our Vice President - Human Resources from February 2012 until October 2014. From 2007 through 2012, Ms. Villa was an attorney for our Company, specializing in employment and labor law, human resources and corporate compliance. Prior thereto, Ms. Villa served as Director of Human Resources at bioMérieux, Inc. (a multinational biotechnology company) from 2003 to 2006 and as General Counsel from 2000 to 2003.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common shares, \$.01 par value, are traded on The Nasdaq Global Select Market under the symbol “AEGN”. The following table sets forth the range of quarterly high and low sales prices for the years ended December 31, 2014 and 2013, as reported on The Nasdaq Global Select Market. Quotations represent prices between dealers and do not include retail mark-ups, mark-downs or commissions.

Period	High	Low
2014		
First Quarter	\$ 25.39	\$ 19.14
Second Quarter	25.64	21.94
Third Quarter	25.52	21.69
Fourth Quarter	22.61	16.54
2013		
First Quarter	\$ 26.10	\$ 21.51
Second Quarter	24.03	19.72
Third Quarter	25.00	21.21
Fourth Quarter	24.09	19.67

During the quarter ended December 31, 2014, we did not offer any equity securities that were not registered under the Securities Act of 1933, as amended. As of February 23, 2015, the number of holders of record of our common stock was 458.

Holders of common stock are entitled to receive dividends as and when they may be declared by our board of directors. Our present policy is to retain earnings to provide for the operation and expansion of our business. However, our board of directors will review our dividend policy from time to time and will consider our earnings, financial condition, cash flows, financing agreements and other relevant factors in making determinations regarding future dividends, if any. Under the terms of our debt arrangement to which we are a party, we are subject to certain limitations on paying dividends. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Long-Term Debt” for further discussion of such limitations.

The following table provides information as of December 31, 2014 with respect to the shares of common stock that may be issued under our existing equity compensation plans:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	1,492,145	\$ 20.39	2,172,594
Equity compensation plans not approved by security holders	—	—	—
Total	1,492,145	\$ 20.39	2,172,594

⁽¹⁾ The number of securities to be issued upon exercise of granted/awarded options, warrants and rights includes 503,134 stock options, 767,540 stock awards and 221,471 deferred and restricted stock units outstanding at December 31, 2014.

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases made by us of our common stock during the year ended December 31, 2014, pursuant to share repurchase programs approved by our Board of Directors.

	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 2014 ⁽²⁾	77,976	\$ 21.68	—	\$ —
February 2014 ⁽¹⁾⁽²⁾	38,096	22.37	25,400	19,412,131
March 2014 ⁽¹⁾⁽²⁾	123,003	23.83	117,300	16,618,299
April 2014 ⁽¹⁾⁽²⁾	91,222	23.87	91,083	14,443,983
May 2014 ⁽¹⁾⁽²⁾	309,143	24.09	114,740	11,736,386
June 2014 ⁽¹⁾⁽²⁾	243,400	22.85	243,400	6,173,591
July 2014 ⁽¹⁾⁽²⁾	429,130	22.98	268,838	—
August 2014 ⁽²⁾	21,720	24.38	—	—
September 2014	—	—	—	—
October 2014 ⁽²⁾	531	18.32	—	—
November 2014 ⁽²⁾	517	22.54	—	—
December 2014	—	—	—	—
Total	<u>1,334,738</u>	<u>\$ 23.28</u>	<u>860,761</u>	<u>\$ —</u>

⁽¹⁾ In February 2014, our board of directors authorized the open market repurchase of up to \$20.0 million of our common stock to be made during 2014. This amount constituted the maximum open market repurchases currently authorized in any calendar year under the terms of our Credit Facility. Once a repurchase is complete, we promptly retire the shares.

⁽²⁾ In connection with approval of our Credit Facility, our board of directors approved the purchase of up to \$10.0 million of our common stock in each calendar year in connection with our equity compensation programs for employees and directors. The number of shares purchased includes shares surrendered to us to pay the exercise price and/or to satisfy tax withholding obligations in connection with “net, net” exercises of employee stock options and/or the vesting of restricted stock or deferred stock units issued to employees and directors. During 2014, 419,643 shares were surrendered in connection with stock swap transactions and 54,334 shares were surrendered in connection with restricted stock and deferred stock units transactions. The deemed price paid was the closing price of our common stock on the Nasdaq Global Select Market on the date that the restricted stock or deferred stock units vested or the stock option was exercised. Once a repurchase is complete, we promptly retire the shares.

Performance Graph

The following performance graph compares the total stockholder return on our common stock to the S&P 500 Index and a selected peer group index for the past five years. In 2013, the Company changed the peer group index. This change was made in order to establish a peer group that we believed more closely identified with our businesses and industries and provided a better comparison of returns. The compensation committee of our board of directors also reviews data for this peer group in establishing the compensation of our executive officers. In 2014, the peer group index remained unchanged, which is comprised of the following companies:

- Layne Christensen Company
- MYR Group, Inc.
- Primoris Services Corporation
- Valmont Industries, Inc.
- Kennametal, Inc.
- LB Foster Company
- Tetra Tech, Inc.
- Matrix Service Company
- Dril-Quip, Inc.
- Team, Inc.
- Willbros Group, Inc.
- Helix Energy Solutions Group
- Newpark Resources
- Tesco Corporation

The graph assumes that \$100 was invested in our common stock and each index on December 31, 2009 and that all dividends, if any, were reinvested.

Comparison of Five-Year Cumulative Return



	2009	2010	2011	2012	2013	2014
Aegion Corporation	\$ 100.00	\$ 116.68	\$ 67.52	\$ 97.67	\$ 96.35	\$ 81.91
S&P 500 Total Returns	100.00	115.06	117.49	136.30	180.44	205.14
Peer Group	100.00	120.72	116.04	138.88	179.78	144.66

Notwithstanding anything set forth in any of our previous filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 which might incorporate future filings, including this Annual Report on Form 10-K, in whole or in part, the preceding performance graph shall not be deemed incorporated by reference into any such filings.

Item 6. Selected Financial Data.

The selected financial data set forth below has been derived from our consolidated financial statements contained in “Item 8. Financial Statements and Supplementary Data” of this report on Form 10-K and previously published historical financial statements not included in this report on Form 10-K. The selected financial data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, including the footnotes, contained in this report.

	Years Ended December 31,				
	2014 ⁽¹⁾	2013 ⁽²⁾⁽³⁾	2012 ⁽⁴⁾⁽⁵⁾	2011 ⁽⁶⁾⁽⁷⁾	2010
	<i>(In thousands, except per share amounts)</i>				
INCOME STATEMENT DATA⁽⁹⁾:					
Revenues	\$ 1,331,421	\$ 1,091,420	\$ 1,016,831	\$ 925,766	\$ 905,259
Operating income (loss)	(19,812)	66,882	81,803	45,707	87,525
Income (loss) from continuing operations ⁽⁸⁾	(33,320)	50,812	54,374	27,134	60,973
Loss from discontinued operations	(3,847)	(6,461)	(1,713)	(587)	(511)
Net income (loss) ⁽⁸⁾	(37,167)	44,351	52,661	26,547	60,462
Basic earnings (loss) per share:					
Income (loss) from continuing operations ⁽⁸⁾	(0.88)	1.31	1.38	0.68	1.55
Loss from discontinued operations	(0.10)	(0.17)	(0.04)	(0.01)	(0.01)
Net income (loss) ⁽⁸⁾	(0.98)	1.14	1.34	0.67	1.54
Diluted earnings (loss) per share:					
Income (loss) from continuing operations ⁽⁸⁾	(0.88)	1.30	1.37	0.68	1.54
Loss from discontinued operations	(0.10)	(0.17)	(0.04)	(0.01)	(0.01)
Net income (loss) ⁽⁸⁾	(0.98)	1.13	1.33	0.67	1.53
BALANCE SHEET DATA:					
Cash and cash equivalents	\$ 174,965	\$ 158,045	\$ 133,676	\$ 105,292	\$ 114,444
Working capital, net of cash	198,834	210,858	202,469	219,974	178,647
Current assets ⁽¹⁰⁾	638,122	603,858	560,661	517,985	466,586
Property, plant and equipment, net	168,213	182,303	183,163	166,614	162,167
Total assets ⁽¹⁰⁾	1,295,673	1,377,418	1,217,894	1,124,964	933,310
Current maturities of long-term debt and notes payable	26,399	22,024	33,775	26,541	13,028
Long-term debt, less current maturities	351,076	366,616	221,848	222,868	91,715
Total liabilities ⁽¹⁰⁾	650,588	650,497	501,774	475,975	306,603
Total stockholders’ equity	626,635	709,368	699,316	640,732	617,332

⁽¹⁾ 2014 results include expenses of \$49.5 million related to our 2014 Restructuring Plan, \$52.7 million related to certain goodwill and definite-lived intangible asset impairments, and \$1.4 million related to our acquisition of Brinderson and other targets. Results also include \$4.5 million in proceeds received in connection with the settlement of escrow claims related to the purchase of Brinderson.

⁽²⁾ 2013 results include expenses of \$5.8 million related to our acquisition of Brinderson and other targets.

⁽³⁾ 2013 results include amounts from our acquisition of Brinderson from its acquisition date of July 1, 2013.

⁽⁴⁾ 2012 results include expenses of \$3.1 million related to our acquisitions of Fyfe LA, Fyfe Asia and other targets.

⁽⁵⁾ 2012 results include amounts from our acquisitions of Fyfe LA and Fyfe Asia from their acquisition dates of January 4, 2012 and April 5, 2012, respectively.

⁽⁶⁾ 2011 results include expenses of \$6.4 million related to our acquisitions of CRTS, Hockway and Fyfe NA and Fyfe LA, \$2.2 million related to a company-wide restructuring program and \$6.8 million related to the redemption of our Senior Notes due 2013 and our write-off of unamortized debt issuance costs from our prior credit facility.

⁽⁷⁾ 2011 results include amounts from our acquisitions of CRTS, Hockway, Fyfe NA from their acquisition dates of June 30, 2011, August 2, 2011 and August 31, 2011, respectively.

⁽⁸⁾ All periods presented include amounts attributable to Aegion Corporation.

⁽⁹⁾ All amounts have been restated for the impact of discontinued operations.

⁽¹⁰⁾ Amounts also include certain components of discontinued operations.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation.

Overview

We are a global leader in infrastructure protection and maintenance, providing proprietary technologies and services to: (i) to protect against the corrosion of industrial pipelines; (ii) rehabilitate and strengthen water, wastewater, energy and mining piping systems and buildings, bridges, tunnels and waterfront structures; and (iii) to utilize integrated professional services in engineering, procurement, construction, maintenance and turnaround services for a broad range of energy related industries. Our business activities include manufacturing, distribution, maintenance, construction, installation, coating and insulation, cathodic protection, research and development and licensing. Our 2013 acquisition of Brinderson, L.P. and related entities (“Brinderson”) opened new markets for us through the maintenance, engineering and construction services for downstream and upstream facilities in the North American oil and gas market. Our products and services are currently utilized and performed in more than 80 countries across six continents. We believe that the depth and breadth of our products and services platform make us a leading “one-stop” provider for the world’s infrastructure rehabilitation and protection needs.

We are organized into three operating segments, which are also our reportable segments: Infrastructure Solutions; Corrosion Protection; and Energy Services. Each segment is led by a unique leadership team has an operating president who reports to the chief operating decision manager (“CODM”). The operating results and financial information reported by each of the new segments are evaluated separately, regularly reviewed and used by the CODM to evaluate segment performance, allocate resources and determine management incentive compensation. The realignment did not change the composition of our reporting units for goodwill impairment testing purposes. The current and all future SEC filings will reflect these new reportable segments, unless and until such time as there is a subsequent change in our reportable segments.

Our long-term strategy consists of:

Infrastructure Solutions – Aging urban infrastructure will require increasing rehabilitation and maintenance over the long term. While the pace of growth is often based on government funding, the market need results in a long term stable growth opportunity for Aegion and its market leading brands, Fyfe and Insituform. We will optimize our municipal rehabilitation and commercial infrastructure operations by: (i) focusing on operational excellence; (ii) utilizing business development personnel to identify the need for new products and technologies across the platform; (iii) adding new, innovative technologies and services through licensing or selective acquisitions; (iv) enhancing returns through backward integrating into product manufacturing; and (v) addressing the need in international markets with alternative business models, including licensing and tube sales.

Corrosion Protection – Investment in North America’s pipeline infrastructure is required to transport non-conventional oil and gas fields, like the oil sands, the Gulf of Mexico deep-water reserves and the oil and gas shale reserves, to end markets in a safe and environmentally correct manner. Corrosion Protection has a unique portfolio of technologies to address the requirement for many of the aspects of pipeline protection including cathodic protection, linings and coatings. The business development effort provides solutions to customers to enhance the safety, environmental integrity and reliability of our customers’ pipelines in the oil and gas market. We license or acquire new technologies based on the needs of our customers, those of which would benefit from our market-leading presence and distribution channel.

Energy Services – With the continued development of conventional oil and gas reserves, North America will have competitive prices for refinery and petrochemical feedstocks. Energy Services has a unique value proposition based on its world class safety and labor productivity program that results in cost effective maintenance services at our customers’ refineries and petrochemical facilities. Our market position is expanded through organic growth, targeted acquisitions or alliances to bring additional product or service offerings to current customers, broaden our geographic footprint to additional markets, and increased penetration in end-markets such as petro-chemical and natural gas.

See “Financial Statements and Supplementary Data” in Item 8 of this report for further discussion regarding our recent acquisitions and strategic initiatives.

Results of Operations

2014 Compared to 2013

(dollars in thousands)

			Increase (Decrease)	
	2014	2013	\$	%
Revenues	\$ 1,331,421	\$ 1,091,420	\$ 240,001	22.0 %
Gross profit	279,983	247,021	32,962	13.3
Gross profit margin	21.0 %	22.6%	n/a	(160)bp
Operating expenses	234,105	178,483	55,622	31.2
Goodwill impairment	51,512	—	51,512	100.0
Definite-lived intangible asset impairment	12,116	—	12,116	100.0
Earnout reversal	—	(4,175)	(4,175)	(100.0)
Acquisition-related expenses	1,375	5,831	(4,456)	(76.4)
Restructuring charges	687	—	687	100.0
Operating income (loss)	(19,812)	66,882	(86,694)	(129.6)
Operating margin	(1.5)%	6.1%	n/a	(760)bp
Income (loss) from continuing operations	(31,565)	52,007	(83,572)	(160.7)

Consolidated loss from continuing operations was \$31.6 million in 2014, which was a decrease of \$83.6 million, or 160.7%, from \$52.0 million in 2013. During 2014 and 2013, we recognized the following material events:

- On December 31, 2014, we recognized pre-tax, non-cash charges of \$35.4 million (\$31.3 million post-tax) in our Corrosion Protection segment related to an impairment review for goodwill and long-lived assets (see Note 2 to the consolidated financial statements contained in this report). We performed this review as certain reporting units in the energy sector experienced customer-driven delays, work order cancellations and canceled sales opportunities as a result of declining oil prices in the fourth quarter of 2014. As a result, the Bayou and CRTS reporting units incurred goodwill impairment charges of \$29.7 million and 5.7 million, respectively. There were no impairment charges related to long-lived assets.
- During the fourth quarter of 2014, we finalized the settlement of negotiated working capital for the Brinderson acquisition as well as escrow claims made pursuant to the purchase agreement. As a result of the settlement, we received proceeds of approximately \$5.5 million, \$1.0 million of which was recorded as a purchase price adjustment related to working capital and the remaining \$4.5 million was recorded as an offset to operating expense in the Consolidated Statement of Operations. Brinderson is reported in the Energy Services segment.
- During the fourth quarter of 2014, we recognized a non-cash reserve of \$6.2 million related to certain disputed receivables in our Infrastructure Solutions segment.
- On October 6, 2014, our board of directors approved a realignment and restructuring plan (the “2014 Restructuring Plan”), which was intended to exit low-return businesses and reduce the size and cost of our overhead structure to improve gross margins and profitability in the long term (see Note 3 to the consolidated financial statements contained in this report). As part of the 2014 Restructuring Plan, we recognized pre-tax charges in 2014 totaling \$49.5 million (\$36.2 million post-tax), of which, \$43.9 million and \$5.6 million were related to non-cash charges and cash charges, respectively. The non-cash charges totaling \$43.9 million included \$22.2 million related to the impairment of certain long-lived assets and definite-lived intangible assets for Bayou’s coating operations in Louisiana, which is reported in the Corrosion Protection segment, and \$21.7 million related to inventory obsolescence, impairment of certain long-lived assets and definite-lived intangible assets, bad debt expense, write-off of certain other current assets and a legal accrual related to disputed work performed by our European and Asia-Pacific operations, which are reported in the Infrastructure Solutions segment. The cash charges totaling \$5.6 million included employee severance, retention, extension of benefits, employment assistance programs and other costs associated with the restructuring for the Fyfe North American operations and Insituform’s European and Asia-Pacific operations, which are reported in the Infrastructure Solutions reportable segment.
- On October 1, 2014, we recognized a pre-tax, non-cash charge of \$17.3 million (\$15.3 million post-tax) in our Infrastructure Solutions reportable segment related to our annual impairment assessment for goodwill (see Note 2 to the consolidated financial statements contained in this report). As a part of the assessment, we determined that the Fyfe reporting unit had a fair value below its carrying value; therefore, we performed fair value testing for goodwill and certain long-lived assets of this reporting unit. As a result of our analysis, the Fyfe reporting unit incurred

goodwill and long-lived asset impairment charges of \$16.1 million and \$1.2 million, respectively. The long-lived asset impairment charge related to a definite-lived intangible asset for Fyfe Latin America.

- In June 2013, we recognized a gain of \$11.3 million (\$7.9 million post-tax) in our Infrastructure Solutions reportable segment related to the sale of our 50% joint venture interest in Germany (Insituform Rohr sanierungstechniken GMBH). The sale price was €4 million, or approximately \$18.3 million.

Excluding the events for goodwill and long-lived asset impairments, the Brinderson escrow settlement, reserve for certain disputed receivables, the 2014 Restructuring Plan, and the gain on sale of our joint venture interest in 2013, as noted above, consolidated income from continuing operations in 2014 increased \$10.3 million, or 23.4%, to \$54.4 million in 2014 compared to \$44.1 million in 2013. The increase was primarily due to a full year contribution from Brinderson, which was acquired on July 1, 2013, increased revenues and related profitability of the Infrastructure Solutions segment, a reduction of acquisition-related expenses and bank fees recorded in the third quarter of 2013 related to the Brinderson acquisition. Partially offsetting the increase in consolidated income from continuing operations was a decrease related to reduced project activities in our Corrosion Protection segment, specifically within our industrial linings operations and our coating operations in Louisiana, higher interest costs as a result of higher principal balances related to a full year 2014 versus six months in 2013 from the Brinderson acquisition and a higher effective income tax rate in 2014.

Revenues in 2014 increased \$240.0 million, or 22.0%, to \$1,331.4 million in 2014 compared to \$1,091.4 million in 2013. This increase was primarily due to the addition of Brinderson in July 2013, which contributed \$148.6 million in revenues during the first six months of 2014 with no revenues in the first six months of the prior year period. Additionally, the Infrastructure Solutions segment increased revenues \$37.9 million, or 7.2%, in 2014 compared to the prior period. Partially offsetting the increase in revenues was a decrease related to reduced project activities in our Corrosion Protection segment, specifically within our industrial linings operations and our coating operations in Louisiana.

Operating expenses in 2014 increased \$55.6 million, or 31.2%, to \$234.1 million compared to \$178.5 million in 2013. Excluding operating expenses of \$20.6 million related to the 2014 Restructuring Plan, \$6.2 million for reserves related to disputed receivables and \$13.9 million related to Brinderson's first six months of 2014 with no operating expenses in the first six months of 2013, operating expenses increased \$15.1 million, or 8.5%, to \$199.6 million in 2014 compared to \$178.5 million in 2013. The increase in operating expenses was primarily due to increased costs related to building certain sales and operational organizations to support growth. Operating expenses as a percentage of revenues was 15.0% and 16.4% in 2014 and 2013, respectively.

Total contract backlog decreased to \$758.0 million at December 31, 2014 from \$759.0 million at December 31, 2013. This \$1.0 million, or 0.1%, decrease was primarily due to decreased upstream project activity in our Energy Services segment and decreased project activity in our industrial linings operations in our Corrosion Protection segment as recent, depressed crude oil prices have curtailed customer spending. In the event crude oil prices remain depressed, our outlook and contract backlog could be negatively impacted in late 2015 and beyond. Partially offsetting this decrease was an increase in signed contracts primarily related to increased project activity in both our robotic coatings operations and coating operations in Louisiana within our Corrosion Protection segment and Fyfe North America in our Infrastructure Solutions segment.

2013 Compared to 2012

(dollars in thousands)

	2013		2012		Increase (Decrease)	
	\$	%	\$	%	\$	%
Revenues	\$ 1,091,420		\$ 1,016,831		\$ 74,589	7.3 %
Gross profit	247,021		243,754		3,267	1.3
Gross profit margin	22.6%		24.0%		n/a	(140)bp
Operating expenses	178,483		168,846		9,637	5.7
Earnout reversal	(4,175)		(10,019)		(5,844)	(58.3)
Acquisition-related expenses	5,831		3,124		2,707	86.7
Operating income	66,882		81,803		(14,921)	(18.2)
Operating margin	6.1%		8.0%		n/a	(190)bp
Income from continuing operations	52,007		58,562		(6,555)	(11.2)

Consolidated income from continuing operations decreased \$6.6 million, or 11.2%, to \$52.0 million in 2013 compared to \$58.6 million in 2012. The decrease was attributable to declines in our Corrosion Protection and Infrastructure Solutions segments due to (i) weaker market conditions for our coatings business in New Iberia, Louisiana, supporting the Gulf of Mexico; (ii) weaker market conditions in certain international markets for our industrial linings business, notably Mexico and

South America; and (iii) a stall in sales activities and project performance issues for our Fyfe North American business due to the departure in late 2012 of several key leaders in sales and operations. Also contributing to the decrease was a \$2.7 million increase in acquisition-related expenses incurred in 2013 and the \$5.8 million pre-tax difference in earnout reversals between the two periods. Partially offsetting these declines were increases in our global Insituform businesses, profit generated during the second half of 2013 by Brinderson, and the \$7.9 million (post-tax) gain on sale we recognized in 2013 in connection with the sale of our 50% interest in our German joint venture.

During 2013, our financial results included six months of contributions from Brinderson, which was acquired on July 1, 2013. Brinderson contributed \$7.6 million in operating income during 2013. The year ended December 31, 2013 also included reversals of \$3.9 million and \$0.3 million of earnouts related to CRTS and Fyfe LA, respectively, due to the current year results being below the stated threshold amounts within the respective purchase agreements.

Revenues during 2013 increased \$74.6 million, or 7.3%, compared to 2012 primarily due to Brinderson, which contributed \$108.2 million in revenues during the second half of 2013, and improvements in our global Insituform businesses, specifically North America and Asia. In North America, we experienced a 13.3% revenue growth in 2013 compared to 2012 from improved backlog and a shift to more large diameter projects. Exclusive of Brinderson's contribution, revenues decreased during 2013 compared to 2012 primarily due to lower workable backlog levels within our Fyfe North American business and our Corrosion Protection segment's coating operations.

Operating expenses increased \$9.6 million, or 5.7%, in 2013 compared to 2012 due to the addition of Brinderson, which contributed \$11.4 million in operating expenses during the second half of 2013. Exclusive of Brinderson, operating expenses decreased during 2013 compared to 2012 from a reduction in incentive compensation expense, operational efficiencies gained in our cathodic protection operations and continued improvements in leveraging our fixed cost structure in our Insituform North American operations.

Total contract backlog was \$759.0 million at December 31, 2013. Exclusive of Brinderson, contract backlog decreased to \$490.7 million at December 31, 2013 from \$533.2 million at December 31, 2012, due to conditions affecting portions of our Corrosion Protection segment and larger projects being completed during 2013, offset by an overall backlog increase in our Infrastructure Solutions platform.

Segment Results

Infrastructure Solutions Segment

In connection with our 2014 Restructuring Plan, we established the Infrastructure Solutions segment. This segment is the combination of two previously reportable segments, the Water and Wastewater segment and the Commercial and Structural segment.

Key financial data for our Infrastructure Solutions segment was as follows:

<i>(dollars in thousands)</i>	2014 vs 2013				2013 vs 2012			
	2014	2013	Increase (Decrease)		2012	Increase (Decrease)		
			\$	%		\$	%	
Revenues	\$567,205	\$ 529,301	\$ 37,904	7.2 %	\$ 502,856	\$ 26,445	5.3 %	
Gross profit	135,883	119,458	16,425	13.7	116,149	3,309	2.8	
Gross profit margin	24.0 %	22.6%	n/a	140bp	23.1%	n/a	(50)bp	
Operating expenses	124,101	91,258	32,843	36.0	91,581	(323)	(0.4)	
Goodwill impairment	16,069	—	16,069	100.0	—	—	n/m	
Definite-lived intangible asset impairment	1,220	—	1,220	100.0	—	—	n/m	
Earnout reversal	—	(287)	287	100.0	(365)	78	(100.0)	
Acquisition-related expenses	—	—	—	n/m	3,124	(3,124)	(100.0)	
Restructuring charges	687	—	687	100.0	—	—	n/m	
Operating income (loss)	(6,194)	28,487	(34,681)	(121.7)	21,809	6,678	30.6	
Operating margin	(1.1)%	5.4%	n/a	(650)bp	4.3%	n/a	110bp	

Revenues

Revenues in our Infrastructure Solutions segment increased \$37.9 million, or 7.2%, in 2014 to \$567.2 million compared to \$529.3 million in 2013. Revenues increased \$39.1 million in Insituform's North American operations primarily due to increased volume activity in our contracting operations, despite poor weather conditions that persisted much of the first quarter of 2014. Revenues decreased \$8.2 million, conversely, in Insituform's European and Asia-Pacific operations as we exited certain low-return businesses as part of our 2014 Restructuring Plan. Revenues increased \$7.0 million in our Fyfe operations as revenues in our Fyfe North American operations increased \$2.5 million as we continued to make progress to stabilize operations following the departure of four key employees in late 2012 and Fyfe Asia operations increased \$4.5 million due to increased project activity.

Contract backlog in our Infrastructure Solutions segment at December 31, 2014 was \$337.5 million, a \$7.6 million, or 2.3%, increase from backlog at December 31, 2013. Insituform's North American operations continued to benefit from solid municipal spending and improved bidding performance. Several new project wins were added into backlog, primarily in the first half of 2014. Our visibility into our Fyfe North American prospects continues to improve, and we anticipate improvements in sales momentum and backlog in 2015. We also expect the domestic municipal market activity and bidding performance to remain robust in 2015.

During 2013, revenues increased \$26.4 million, or 5.3%, to \$529.3 million compared to \$502.9 million in 2012. The growth came from increased volume in our Insituform North American operations. Specifically, several crews were added during the year (capitalizing on record backlog levels) and large-diameter footage increased more than 100% compared to the prior year. We also had a favorable project mix from our manufacturing facility, producing 89% more large diameter tube in 2013 than in 2012 to our contracting operations. Our Fyfe Canadian operation increased \$2.7 million due to a large material order and Fyfe Asia increased \$4.4 million due to stronger project activity in Singapore and Hong Kong. Offsetting these increases were lower volumes in several of our Insituform Asian markets in 2013 including Singapore, where we substantially completed the legacy projects, and India, where there was no new large project activity during 2013. In addition, our operations in France and Switzerland experienced a weaker 2013 due to a number of project delays and sustained recessionary impacts. Our Fyfe United States operations declined \$21.1 million in 2013 primarily due to the departure in late 2012 of several key leaders in sales and operations, primarily in the pipeline business. The departures resulted in: (1) lower workable backlog from a stall in sales activity that is being addressed by the ongoing investment in the sales organization; and (2) performance issues on certain projects and stranded fixed costs from lower revenue. The departures caused disruption in the organization, significantly extending the time needed for the investments made in the sales and operations functions to take hold.

Gross Profit and Gross Profit Margin

Gross profit in our Infrastructure Solutions segment increased \$16.4 million, or 13.7%, to \$135.9 million in 2014 compared to \$119.5 million in 2013. Gross margin percentages increased to 24.0% in 2014 from 22.6% in 2013. As part of the 2014 Restructuring Plan, we recognized charges totaling \$4.3 million in our Insituform European and Asia-Pacific operations in the third and fourth quarters of 2014. The \$4.3 million of charges consisted of \$2.8 million of non-cash charges related to inventory obsolescence and \$1.1 million of cash charges related to other restructuring and exit costs. Excluding charges from the 2014 Restructuring Plan, gross profit increased \$20.7 million, or 17.3%, to \$140.2 million in 2014 compared to \$119.5 million in 2013. Gross margin percentages increased to 24.7% in 2014 from 22.6% in 2013. The increase in gross profit was primarily due to increased installation project work and improved project execution in the North American operations for both Insituform and Fyfe and our Fyfe Asia operations. Offsetting the increase in gross profit, were decreases primarily due to isolated project remediation efforts in Insituform's European operations and certain project delays that negatively impacted profitability in our Insituform Asian operations. Gross margin percentages increased primarily due to strong project execution in our North American operations for both Insituform and Fyfe.

In 2013, gross profit increased \$3.3 million, or 2.8%, to \$119.5 million in 2013 compared to \$116.2 million in 2012; however, gross margin percentages decreased to 22.6% in 2013 from 23.1% in 2012. The increase is due to improved project mix during 2013 in our Insituform North American operations, which shifted to more medium and large diameter work. Additionally, the efforts to improve project cost estimating, maintain bidding discipline and focus on strong project management execution contributed to the year's improved results. Internationally, gross profit improved primarily due to a reduction of the large losses in Singapore from 2012. During 2013, we reduced losses in Singapore by \$5.9 million. We also increased gross profit from our Australian and Malaysian operations by \$1.1 million and \$2.5 million, respectively, during 2013. Partially offsetting these improvements were decreases in gross profit related to project execution issues in the United Kingdom and Switzerland. The gross margin decline was primarily due to project performance issues relative to project bids and reduced levels of higher margin pipeline projects in our Fyfe North American operations. We are focused on investments in sales, engineering and operations to increase our growth opportunities and improve backlog and execution capabilities.

Operating Expenses

Operating expenses in our Infrastructure Solutions segment increased \$32.8 million, or 36.0%, to \$124.1 million in 2014 compared to \$91.3 million 2013. Operating expenses as a percentage of revenues were 21.9% in 2014, compared to 17.2% in 2013. As part of the 2014 Restructuring Plan, we recognized \$20.6 million in operating expenses, of which \$17.2 million related to non-cash charges associated with the write-down of long-lived assets, allowances for accounts receivable, impairment of fixed assets and write-off of certain other assets; and \$3.4 million related to cash charges associated with exiting of certain foreign locations. Also contributing to the increase in operating expenses was \$6.2 million in non-cash charges related to bad debt expense for disputed accounts receivable. Excluding the charges related to the 2014 Restructuring Plan and disputed accounts receivable, operating expenses increased only \$6.2 million, or 6.7%, primarily due to support related to growth and to investments made to hire experienced sales and business development professionals in our Fyfe North American operations to restore the growth expected for this business.

Operating expenses decreased by \$0.3 million, or 0.4%, in 2013 compared to 2012 primarily due to a continued focus on operational efficiencies and resource management including the cost reduction initiatives taken in 2012. Operating expenses, as a percentage of revenues, were 17.2% in 2013 and 18.2% in 2012. Despite increased volumes, operating expenses have been flat due to efficiencies gained in project management along with operational and administrative realignments in our Insituform North American operations. Operating expenses in Europe and Asia were steady as new investments in operational management have been offset by savings from the reduced operations in Singapore and realignment of operations in certain European countries.

Operating Income (Loss) and Operating Margin

Our Infrastructure Solutions segment recognized a operating loss of \$6.2 million in 2014 as compared to operating income of \$28.5 million in 2013. Operating margin decreased 650 basis points to (1.1)% in 2014 compared to 5.4% in 2013. Excluding the previously discussed pre-tax charges of \$24.9 million related to the 2014 Restructuring Plan, \$16.1 million related to goodwill impairment and \$1.2 million related to definite-lived intangible asset impairment, operating income increased \$8.2 million, or 28.8%, to \$36.7 million in 2014 as compared to \$28.5 million in 2013. The increase in operating income was primarily due to increased revenues and related gross profit in our North American operations for both Insituform and Fyfe. Exclusive of the charges discussed above, operating margin increased 110 basis points to 6.5% in 2014 compared to 5.4% in 2013.

During 2013, operating income increased \$6.7 million, or 30.6%, to \$28.5 million compared to \$21.8 million in 2012. Operating margin increased to 5.4% in 2013 compared to 4.3% in 2012 driven by the higher gross profit margin levels previously discussed, slightly lower operating expenses and no acquisition-related expenses in 2013.

During 2013 and 2012, we reversed \$0.3 million and \$0.4 million, respectively, of the contractual earnouts related to Fyfe LA because operating results were below the stated threshold amounts in the purchase agreement. During 2012, we incurred \$2.2 million of acquisition-related expenses in connection with the acquisitions of Fyfe Asia and Fyfe LA.

Corrosion Protection Segment

In connection with our 2014 Restructuring Plan, we established the Corrosion Protection segment. This segment consists of all businesses previously reported in the Energy and Mining segment less Brinderson, which is now reported in the Energy Services segment.

Key financial data for our Corrosion Protection segment, as updated for discontinued operations, was as follows:

<i>(dollars in thousands)</i>	2014 vs 2013				2013 vs 2012		
	2014	2013	Increase (Decrease)		2012	Increase (Decrease)	
			\$	%		\$	%
Revenues	\$458,409	\$ 453,886	\$ 4,523	1.0 %	\$ 513,975	\$ (60,089)	(11.7)%
Gross profit	99,304	108,535	(9,231)	(8.5)	127,605	(19,070)	(14.9)
Gross profit margin	21.7 %	23.9%	n/a	(220)bp	24.8%	n/a	(90)bp
Operating expenses	83,256	75,170	8,086	10.8	77,265	(2,095)	(2.7)
Goodwill impairment	35,443	—	35,443	100.0	—	—	n/m
Definite-lived intangible asset impairment	10,896	—	10,896	100.0	—	—	n/m
Earnout reversal	—	(3,888)	(3,888)	(100.0)	(9,654)	5,766	(100.0)
Acquisition-related expenses	719	—	719	—	—	—	n/m
Operating income (loss)	(31,010)	37,253	(68,263)	(183.2)	59,994	(22,741)	(37.9)
Operating margin	(6.8)%	8.2%	n/a	(1,500)bp	11.7%	n/a	(350)bp

Revenues

Revenues in our Corrosion Protection segment increased by \$4.5 million, or 1.0%, to \$458.4 million in 2014 compared to \$453.9 million in 2013. The increase in revenues was primarily due to increased project work in our domestic and international cathodic protection operations totaling \$23.4 million, our robotic coating operations totaling \$4.8 million and our Canadian coating operations totaling \$11.1 million. Partially offsetting these increases were reduced project activities in both our industrial linings operations and our coating operations in Louisiana. The decrease in our industrial lining operations totaled \$29.0 million and was primarily due to the 2013 completion of a large project in Morocco which contributed \$16.2 million in revenue in 2013 with no revenue in 2014 and decreased project activity in the Middle East and domestic operations. The decrease in project activity in our coating operations in Louisiana totaled \$8.8 million and was primarily due to the decrease in scope of a large project with a single client and delays from customer driven timing of project activity.

Contract backlog for our Corrosion Protection segment was \$176.0 million at December 31, 2014, which represented a \$15.2 million, or 9.5%, increase compared to \$160.8 million at December 31, 2013. The increase in contract backlog is the result of added signed contracts related to project activity in all operations of the Corrosion Protection segment except for the industrial linings operations which experienced a decline of \$18.0 million. Due to the recent decline in crude oil prices of approximately 50% since October 2014, certain customers have curtailed their 2015 capital spending programs and postponed certain projects that will adversely impact a portion of the Corrosion Protection segment, which could impact our backlog, revenues and profitability in 2015 compared to 2014.

During 2013, revenues in our Corrosion Protection segment decreased by \$60.1 million, or 11.7%, to \$453.9 million compared to \$514.0 million in 2012. This decrease was primarily due to reduced revenue in our industrial linings operations in Morocco, slower market demand in certain international markets, notably Mexico and South America, lower revenue at our coating operations in New Iberia, Louisiana, and lower revenues in our robotic coatings operations. In Morocco, revenues declined \$29.8 million, or 64.8%, year over year, as the project was completed late in 2013, with larger portions being completed in 2012. Our coating operations experienced a \$19.5 million decrease from 2012 due to a lack of project activity available in the market, primarily the Gulf of Mexico, coupled with certain projects shifting to 2014 and 2015. Our industrial linings operations experienced weakness in Mexico and South America in 2013 compared to 2012 due to lower mining sector activity and economic issues in various countries. Collectively, revenue in these markets declined by \$17.2 million, or 41.3%. These declines were partially offset by \$10.4 million, or 4.7%, growth from our cathodic protection operations due to stronger market conditions in 2013, particularly in certain regional markets in the United States and Europe, and continued favorable market conditions in North America as well as growth in our industrial linings operations in the Middle East, which increased revenue by \$29.1 million, or 229.4%, in 2013.

Gross Profit and Gross Profit Margin

Gross profit in our Corrosion Protection segment decreased \$9.2 million, or 8.5%, to \$99.3 million in 2014 compared to \$108.5 million in 2013. Gross margins declined by 220 basis points to 21.7% during 2014. As part of the 2014 Restructuring Plan and related assessment of goodwill and long-lived assets, we recognized a non-cash charge of \$11.3 million related to fixed asset impairment in our Bayou coating operation in Louisiana in 2014. Exclusive of the impairment charge, gross profit increased \$2.1 million, or 1.9%, and gross profit margin increased 20 basis points to 24.1% in 2014 compared to 23.9% in 2013. The increase in gross profit and related gross profit margin was primarily due to increased project activity, project efficiencies and a higher margin project mix in the Canadian operations of both our cathodic protection operations and our coating operations. Offsetting the overall increase in gross profit was a decrease related to a slowdown in project activity in our industrial linings operations.

During 2013, our Corrosion Protection segment gross profit decreased by \$19.1 million, or 14.9%, to \$108.5 million compared to \$127.6 million in 2012. Gross margins declined by 90 basis points to 23.9% during 2013. The primary drivers of the decline in gross margins from the prior year were additional costs for the industrial linings project in Morocco, and 2012 which contained a large, higher gross profit concrete job for our coating operations in New Iberia, Louisiana that was not present during 2013. The industrial lining work in Morocco generated negative gross margins in 2013 and declined \$8.7 million compared to 2012, while gross profit on the coating operations in New Iberia, Louisiana declined \$6.9 million, or 94.0%. In addition, gross profit from our robotic coating operations decreased \$3.6 million, or 30.3%, due to customer-directed delays on the Wasit project and other projects being moved into 2014. Partially offsetting these declines were improved results from our industrial linings operations in the Middle East, which increased gross profit \$4.0 million during 2013.

Operating Expenses

Operating expenses in our Corrosion Protection segment increased by \$8.1 million, or 10.8%, in 2014 compared to \$75.2 million in 2013 primarily due to an increase in our cathodic protection operations as we expanded our operations into the Middle East and in our robotic and field service coatings operations as we increased sales and administrative functions. As a percentage of revenues, operating expenses were 18.2% and 16.6% in 2014 and 2013, respectively.

During 2013, operating expenses decreased by \$2.1 million, or 2.7%, compared to \$77.3 million in 2012. The primary driver was from our industrial lining operations, which increased \$1.8 million, or 20.6%, during 2013 due to international expansion and to provide additional project support to the Moroccan project. Offsetting these increases were declines from improved cost efficiencies in our cathodic protection and robotics coating operations. As a percentage of revenues, operating expenses were 16.6% for 2013 compared to 15.0% for 2012 due to healthy top line growth and resulting coverage leverage.

Operating Income (Loss) and Operating Margin

Operating income decreased \$68.3 million, or 183.2%, to a loss of \$31.0 million in 2014 compared to income of \$37.3 million in 2013. Operating margin was (6.8)% in 2014 compared to 8.2% in 2013.

As part of the 2014 Restructuring Plan, we recognized non-cash charges in the third quarter of 2014 totaling \$11.3 million and \$10.9 million related to fixed asset impairment for its Bayou coating operations in Louisiana and definite-lived intangible asset impairment related to Bayou, respectively. These charges, totaling \$22.2 million, were the result of a triggering event that caused an assessment of goodwill and long-lived assets as of September 30, 2014. During the fourth quarter of 2014, we recognized additional non-cash charges of \$35.4 million for additional goodwill impairment. This impairment was related to customer-driven delays, work order cancellations and canceled sales opportunities as a result of declining oil prices that were considered to be an impairment triggering event. These events caused an additional assessment of goodwill and long-lived assets as of December 31, 2014. Also in 2014, we incurred \$0.7 million of acquisition-related expenses in connection with current acquisition targets.

During 2013, we reversed \$3.9 million of the contractual earnouts related to CRTS because operating results were below the stated threshold amounts in the purchase agreement, mostly due to delays we have experienced with the Wasit project in Saudi Arabia. During 2012, we reversed \$8.2 million and \$1.5 million of the contractual earnouts related to CRTS and Hockway, respectively.

Excluding pre-tax charges of \$57.6 million related to goodwill and long-lived asset impairments and \$0.7 million of acquisition-related expenses in 2014, and contractual earnout reversals of \$3.9 million in 2013, operating income decreased \$6.1 million, or 18.1%, to \$27.3 million in 2014 as compared to \$33.4 million in 2013. The decrease in operating income was primarily due to a slowdown in project activity in our industrial linings operations and increased administrative expenses from our cathodic protection operations as we expanded our operations into the Middle East. Exclusive of the charges discussed above, operating margin decreased 140 basis points to 6.0% in 2014 compared to 7.4% in 2013.

During 2013, operating income decreased \$22.7 million, or 37.9%, compared to \$60.0 million in 2012. This decrease was due to lower gross margins, primarily in our coating operations in New Iberia, Louisiana and robotic coating operations. Also

contributing were lower earnout reversals recorded for CRTS as previously discussed. Operating margin decreased 350 basis points to 8.2% in 2013 compared to 11.7% in 2012.

Energy Services Segment

In connection with our 2014 Restructuring Plan, we established the Energy Services segment. This segment consists solely of Brinderson which was acquired on July 1, 2013 and was previously reported in the Energy and Mining segment. Brinderson is a leading integrated service provider of maintenance, construction, engineering and turnaround activities for the upstream and downstream oil and gas markets. Brinderson is currently expanding in the West Texas Permian Basin region and other regions primarily in the western United States.

Key financial data for our Energy Services segment was as follows:

<i>(dollars in thousands)</i>	2014 vs 2013				2013 vs 2012		
	2014	2013	Increase (Decrease)		2012	Increase (Decrease)	
			\$	%		\$	%
Revenues	\$ 305,807	\$ 108,233	\$ 197,574	182.5 %	\$ —	\$ 108,233	n/a
Gross profit	44,796	19,028	25,768	135.4	—	19,028	n/a
Gross profit margin	14.6%	17.6%	n/a	(300)bp	—%	n/a	n/a
Operating expenses	26,748	12,055	14,693	121.9	—	12,055	n/a
Acquisition-related expenses	656	5,831	(5,175)	n/m	—	5,831	n/a
Operating income	17,392	1,142	16,250	(1,422.9)	—	1,142	n/a
Operating margin	5.7%	1.1%	n/a	460bp	—%	n/a	n/a

Revenues

Revenues in our Energy Services segment increased \$197.6 million, or 182.5%, to \$305.8 million for 2014 compared to 2013. Revenues in 2014 represented a full year of operations; whereas, revenues in 2013 represented six months of operations as Brinderson was acquired on July 1, 2013. In 2014, the Energy Services segment generated revenues totaling \$174.9 million from work performed in the downstream market and \$130.9 million from work performed in the upstream market.

Contract backlog for Brinderson represents estimated revenues to be generated under long-term MSAs and other signed contracts. If the remaining term of the arrangements exceeds 12 months, the revenues attributable to such arrangements included in backlog are limited to only the next 12 months of expected revenues. Contract backlog in our Energy Services segment was \$244.5 million at December 31, 2014. This represented a decrease of \$23.8 million, or 8.9%, compared to \$268.3 million at December 31, 2013 as anticipated work related to certain exploration and production projects in our upstream market has slowed as a result of curtailed client spending related to depressed crude oil prices which will impact 2015 profitability for the segment.

Gross Profit and Gross Profit Margin

Gross profit in our Energy Services segment increased \$25.8 million, or 135.4%, to \$44.8 million in 2014 compared to \$19.0 million in 2013, primarily as a result of increased project work and a full year of operations in 2014 versus six months of operations in 2013. Gross profit margins declined 300 basis points during 2014 compared to 2013 primarily due to a lower margin mix on projects in both the upstream and downstream markets and higher start-up costs on new, multi-year projects primarily in the downstream market.

Operating Expenses

Operating expenses in our Energy Services segment increased \$14.7 million, or 121.9%, to \$26.8 million in 2014 compared to \$12.1 million in 2013. As part of a cash settlement related to escrow claims for Brinderson, we recorded an offset to operating expenses totaling \$4.5 million in the fourth quarter of 2014. Excluding the settlement, operating expenses increased \$19.2 million, or 158.7%, to \$31.3 million in 2014 compared to \$12.1 million in 2013 as operating expenses in 2014 represented a full year of operations; whereas, operating expenses in 2013 represented six months of operations. The increase in operating expenses was also due to additional support costs including sales staff, human resources and finance personnel to support the growth of the operations. Excluding the settlement, operating expenses as a percentage of revenues were 10.2% and 11.1% in 2014 and 2013, respectively.

Operating Income and Operating Margin

The financial results in 2014 were significantly higher than 2013 as a result of a full year's operations compared to only six months of operations during 2013. This led to a \$16.3 million increase in operating income in 2014 compared to 2013. Energy

Services operating margins improved to 5.7% in 2014 from 1.1% in 2013 primarily due to lower acquisition-related expenses in 2014.

During 2014 and 2013, we incurred \$0.7 million and \$5.8 million, respectively, of acquisition-related expenses in connection with the acquisition of Brinderson and current and former acquisition targets. The 2013 time period represents six months of financial results from the date of acquisition of Brinderson on July 1, 2013.

Other Income (Expense)

Interest Income and Expense

Interest income increased \$0.3 million to \$0.6 million in 2014 compared to 2013, primarily due to higher international cash balances throughout the year. Interest expense decreased by \$0.3 million to \$12.9 million in 2014 compared to \$13.2 million in 2013. In 2013, we recognized charges of approximately \$2.0 million related to certain arrangement fees associated with securing our new \$650 million senior secured credit facility. Offsetting this in 2014 was outstanding loan principal balances, which were outstanding for the full year due to borrowings related to our July 1, 2013 acquisition of Brinderson.

Interest income decreased \$0.2 million to \$0.3 million in 2013 compared to \$0.5 million in 2012, due to low interest rates on bank deposits. Interest expense increased by \$3.1 million to \$13.2 million in 2013 compared to \$10.1 million in 2012 as outstanding loan principal balances increased year over year due to our July 1, 2013 acquisition of Brinderson. In 2013, we entered into a new \$650 million credit facility in connection with our acquisition of Brinderson. Interest expense in 2013 also included \$2.0 million in arrangement fees mentioned above.

Other Income (Expense)

Other income (expense) decreased by \$8.8 million in 2014 compared to 2013 primarily due to activity in the second quarter of 2013, which included a \$11.3 million gain recognized on the sale of our interest in our German joint venture, partially offset by a non-cash charge of \$2.7 million related to a write-down of the investment in our Bayou joint venture as part of the purchase price accounting associated with our 2009 acquisition of The Bayou Companies L.L.C (“Bayou”) (as discussed in Note 1 to the consolidated financial statements contained in this report). 2013 also included higher foreign currency losses due to the revaluation of certain asset and liability balances, while 2014 included the \$0.5 million loss recognized on the sale of our 49% interest in Bayou Coating (as discussed in Note 1 to the consolidated financial statements contained in this report).

Other income increased \$6.3 million in 2013 compared to 2012 due to the \$11.3 million gain recognized on the 2013 sale of our fifty percent (50%) interest in our German joint venture. Partially offsetting this increase were higher foreign currency losses resulting from the revaluation of certain asset and liability balances and a non-cash charge of \$2.7 million related to the write-down of the investment in our Bayou joint venture as part of the purchase price accounting associated with our 2009 acquisition of Bayou. The non-cash charge represents our current estimate of the difference between the carrying value of the investment on our balance sheet and the amount we expect to receive in connection with the exercise option (as discussed in Note 1 to the consolidated financial statements contained in this report).

Taxes on Income (Loss)

Taxes on income decreased \$16.0 million in 2014 compared to 2013. Our effective tax rate for continuing operations was 10.7% and 20.6% in 2014 and 2013, respectively. The effective tax rate in 2014 was unfavorably impacted by a relatively small income tax benefit recorded on significant pre-tax charges related to impairment charges and the impact of establishing valuation allowances on net operating losses in jurisdictions where we do not expect significant future taxable income.

Our effective tax rate for continuing operations was 20.6% and 26.3% in 2013 and 2012, respectively, both of which were lower than the U.S. federal statutory rate primarily due to significant income in jurisdictions with rates lower than the United States. The lower effective tax rate for 2013 compared to 2012 was primarily due to a shift in the mix of earnings towards foreign jurisdictions.

Our deferred tax liabilities in excess of deferred tax assets were \$14.0 million at December 31, 2014, including a \$19.4 million valuation allowance primarily related to foreign net operating losses. Deferred tax assets include \$1.5 million of foreign tax credit carryforwards, of which, \$0.5 million has no expiration date, and \$3.9 million in federal, state and foreign net operating loss carryforwards, net of applicable valuation allowances, of which, \$0.8 million has no expiration date and \$3.1 million will expire between the years of 2015 and 2034.

Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies was \$0.6 million, \$5.2 million and \$6.4 million in 2014, 2013 and 2012, respectively. The decrease during 2014 is due to there being no contributions from our former German joint venture, following

its sale in June 2013, and only three months of 2014 contributions from Bayou Coating, our former pipe coating joint venture in Baton Rouge, Louisiana, which was sold on March 31, 2014 (as discussed in Note 1 to the consolidated financial statements contained in this report). The decrease during 2013 was primarily due to the sale of our former German joint venture, partially offset by increased project activity from Bayou Coating.

Non-controlling Interests

Income attributable to non-controlling interests was \$1.8 million, \$1.2 million and \$4.2 million in 2014, 2013 and 2012, respectively. The increase during 2014 was due to increased profitability in our coating joint venture in Canada and lower losses from our joint venture in Morocco, partially offset by increased losses from our insulation coating joint venture in Louisiana which started operations in 2014. The decrease during 2013 was due to lower results from our United Pipeline System joint ventures in Morocco and Mexico. The increase during 2012 was primarily related to the increased activity from our newly formed joint venture in Morocco and the noncontrolling interests of entities acquired in our 2012 purchases of Fyfe Asia and Fyfe LA. Additionally, during the fourth quarter of 2012, we purchased the remaining equity interest in our India joint venture.

Loss from Discontinued Operations

Loss from discontinued operations was \$3.8 million, \$6.5 million and \$1.7 million in 2014, 2013 and 2012, respectfully. Our BWW business ceased bidding new work and substantially completed all ongoing projects during the second quarter of 2013. During the fourth quarter of 2014, we completed final liquidation of BWW. Included within the final liquidation was the settlement of outstanding receivables with a single customer associated with a larger fabrication project. The Company also incurred cash charges of \$1.4 million related to certain professional fees incurred during dissolution as well as in connection with the settlement discussed above. This resulted in a recorded pre-tax charge of approximately \$6.0 million within discontinued operations. During 2013, as a result of closing this business, we recognized a pre-tax, non-cash charge of approximately \$3.9 million (\$2.4 million after-tax, or \$0.06 per diluted share), to reflect the impairment of goodwill and intangible assets. The Company also recognized additional non-cash impairment charges for equipment and other assets of approximately \$0.7 million on a pre-tax basis (\$0.4 million on an after-tax basis; \$0.01 per diluted share).

Liquidity and Capital Resources

Cash and Equivalents

	December 31, 2014	December 31, 2013
	<i>(in thousands)</i>	
Cash and cash equivalents	\$ 174,965	\$ 158,045
Restricted cash	2,075	483

Restricted cash held in escrow primarily relates to funds reserved for legal requirements, deposits made in lieu of retention on specific projects performed for municipalities and state agencies, or advance customer payments and compensating balances for bank undertakings in Europe. Changes in restricted cash flows are reported in the consolidated statements of cash flows based on the nature of the restriction.

Sources and Uses of Cash

We expect the principal operational use of funds for the foreseeable future will be for capital expenditures, working capital, debt service, acquisitions and share repurchases. During 2013, capital expenditures were primarily for supporting growth in our Infrastructure Solutions and Corrosion Protection operations, along with investments in new information technology systems to support the growth of our organization. For 2014, we experienced slightly increased levels of capital expenditures compared to 2013 due to a full year of operations for Brinderson and to support growth of our Infrastructure Solutions businesses, primarily in North America.

At December 31, 2014, our cash balances were located worldwide for working capital and support needs. Given our extensive international operations, approximately \$101.2 million, or 57.9%, of our cash was denominated in currencies other than the United States dollar. We manage our worldwide cash requirements by reviewing available funds among the many subsidiaries through which we conduct business and the cost effectiveness with which those funds can be accessed. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to regulatory capital requirements; however, those balances are generally available without legal restrictions to fund ordinary business

operations. With few exceptions, U.S. income taxes, net of applicable foreign tax credits, have not been provided on undistributed earnings of international subsidiaries. Our intention is to permanently reinvest these earnings.

Our primary source of cash is operating activities. We occasionally borrow under our line of credit's available capacity to fund operating activities, including working capital investments. Our operating activities include the collection of accounts receivable as well as the ultimate billing and collection of costs and estimated earnings in excess of billings. At December 31, 2014, we believe our net accounts receivable and our costs and estimated earnings in excess of billings as reported on our consolidated balance sheet were fully collectible. At December 31, 2014, we had certain net receivables (as discussed in the following paragraphs) that we believe will be collected but are being disputed by the customer in some manner, which has impacted or may meaningfully impact the timing of collection or require us to invoke our contractual rights to an arbitration or mediation process, or take legal action. If in a future period we believe any of these receivables are no longer collectible, we would increase our allowance for bad debts through a charge to earnings.

As of December 31, 2014, we had approximately \$13.6 million in receivables related to certain projects in Texas, Georgia and Morocco that have been delayed in payment for separate and unavoidable reasons. We are in various stages of discussions and dispute resolution with the project clients regarding such receivables. In each of the above instances, the customer has failed to meet its payment obligations in the time frame set forth in the respective contracts. The Company believes that it has performed its obligations pursuant to such contracts, and is duly exercising its rights under the respective contracts to receive payment. The Company believes the likelihood of success in each of these cases is probable and the Company is vigorously defending its position in each respective contract. During the quarter ended December 31, 2014, we recorded a \$6.2 million reserve related to certain of the receivables. While management's assessment of the Company's likelihood of prevailing in dispute resolution has not changed, management believes a negotiated settlement of such matters would be in the Company's best interests as it would avoid (1) significant future legal expenses (for which there is no guarantee of recovery); and (2) significant time distractions for Company personnel and management.

During the fourth quarter of 2014, we completed final liquidation of BWV. Included within the final liquidation was the settlement of outstanding receivables with a single customer associated with a larger fabrication project. See further discussion in Note 12 to the consolidated financial statements contained in this report.

Management believes that the outstanding receivables as of December 31, 2014 are fully collectible and a significant portion of the receivables will be collected within the next twelve months.

Cash Flows from Operations

Cash flows from operating activities of continuing operations provided \$81.9 million in 2014 compared to \$88.1 million provided in 2013. The decrease in operating cash flow from 2014 to 2013 was primarily related to the timing of working capital requirements, particularly related to receivables, partially offset by higher cash-related earnings in 2014. The net loss recorded in 2014 was primarily related to non-cash charges of approximately \$96.6 million and \$11.8 million of income in 2013 was related to the sale of our German joint venture.

Working capital used \$17.5 million of cash during 2014 compared to \$1.9 million used in 2013. This decrease in cash flow was primary due to increased project activity in the latter part of 2014 compared to 2013, which increased retainage and estimated earnings in excess of billings. The Company decreased its net accounts receivable in 2014 compared to 2013 due to certain allowances for accounts receivable related to the 2014 Restructuring Plan and our continued focus on cash management practices and progress on collecting receivable balances, particularly in the latter part of the year. During 2014, we improved our DSO by eight days as we continued our emphasis on cash collection processes. During 2013, we improved our DSO by more than ten days. Also we received \$0.6 million and \$10.7 million in 2014 and 2013, respectively, as a return on equity from our affiliated companies. Excluding the change in receivables and the return on equity from affiliated companies, the other elements of working capital provided \$23.7 million in cash in 2014 primarily due to higher accounts payable at Brinderson due to increased activity year over year. In 2013, the other elements of working capital used \$10.1 million in cash primarily due to increased deposits and prepaids from large international projects.

Unrestricted cash increased to \$175.0 million at December 31, 2014 from \$158.0 million at December 31, 2013.

Cash Flows from Investing Activities

Investing activities from continuing operations used \$23.2 million and \$150.1 million of cash in 2014 and 2013, respectively. We used \$32.9 million in cash for capital expenditures in 2014 compared to \$26.1 million in the prior year period. The higher capital expenditures during 2014 were primarily related to Brinderson and more maintenance capital in our North American Insituform business. During 2014, we sold our interests in Bayou Coating for a total sale price of \$9.1 million. During 2013, we sold the equity interests in our German joint venture for a total sale price of €14 million (approximately \$18.3 million) and used \$143.8 million, net of cash acquired, to acquire Brinderson. In 2014 and 2013, \$1.4 million of non-cash

capital expenditures were included in accounts payable and accrued expenditures. Capital expenditures in 2014 and 2013 were partially offset by \$1.5 million and \$3.4 million, respectively, in proceeds received from fixed asset disposals.

During 2015, we anticipate that we will spend approximately \$30.0 - \$35.0 million for capital expenditures.

Cash Flows from Financing Activities

Cash flows from financing activities used \$34.6 million during 2014 compared to \$98.9 million provided in 2013. During 2013, we entered into a new credit facility and borrowed \$147.6 million to fund the purchase of Brinderson and used \$5.0 million for facility financing fees. In 2014 and 2013, we used cash of \$31.1 million and \$27.6 million, respectively, to repurchase 1.3 million and 1.2 million shares, respectively, of our common stock through open market purchases and in connection with our equity compensation programs as discussed in Note 7 to the consolidated financial statements contained in this report. Additionally, in 2014, we borrowed \$10.0 million on the line of credit under our credit facility for working capital needs and used cash of \$22.0 million to pay down the principal balance of our term loans as discussed in Note 6 to the consolidated financial statements contained in this report. In 2013, we used cash of \$253.5 million primarily to retire the previous credit facility.

Long-Term Debt

In July 2013, in connection with the Brinderson acquisition, we entered into a new \$650.0 million senior secured credit facility (the "Credit Facility") with a syndicate of banks. Bank of America, N.A. served as the administrative agent. Merrill Lynch Pierce Fenner & Smith Incorporated, JPMorgan Securities LLC and U.S. Bank National Association acted as joint lead arrangers and joint book managers in the syndication of the Credit Facility. The Credit Facility consists of a \$300.0 million five-year revolving line of credit and a \$350.0 million five-year term loan facility, each with a maturity date of July 1, 2018. We borrowed the entire term loan and drew \$35.5 million against the revolving line of credit from the Credit Facility on July 1, 2013 for the following purposes: (1) to pay the \$147.6 million cash purchase price for our acquisition of Brinderson, L.P., which closed on July 1, 2013; (2) to retire \$232.3 million in indebtedness outstanding under our prior credit facility; and (3) to fund expenses associated with the Credit Facility and the Brinderson acquisition. Additionally, we used \$7.0 million of cash on hand to fund these transactions.

Generally, interest will be charged on the principal amounts outstanding under the Credit Facility at the British Bankers Association LIBOR rate plus an applicable rate ranging from 1.25% to 2.25% depending on our consolidated leverage ratio. We can also opt for an interest rate equal to a base rate (as defined in the credit documents) plus an applicable rate, which also is based on our consolidated leverage ratio. The applicable one month LIBOR borrowing rate (LIBOR plus our applicable rate) as of December 31, 2014 was approximately 2.125%.

Our indebtedness at December 31, 2014 consisted of \$319.4 million outstanding from the \$350.0 million term loan under the Credit Facility and \$45.5 million on the line of credit under the Credit Facility. In July 2014, we borrowed \$10.0 million on the line of credit for working capital needs. Additionally, we and Wasco Coatings UK Ltd. ("Wasco Energy"), a subsidiary of Wah Seong Corporation, loaned Bayou Wasco \$14.0 million for the purchase of capital assets in 2012 and 2013. Additionally, during September 2014, the Company and Wasco Energy agreed to loan Bayou Wasco an additional \$2.6 million for working capital needs increasing the total to \$16.6 million. Of such amount, \$8.1 million (representing funds loaned by Wasco Energy) was designated as third-party debt in our consolidated financial statements. In February 2014, we and Wasco Energy agreed to a five-year term on the funds loaned; therefore, the amounts have been classified as long-term debt as of December 31, 2013. In connection with the formation of BPPC, we and Perma-Pipe Canada, Inc. loaned BPPC an aggregate of \$8.0 million for the purchase of capital assets and for operating purposes. Additionally, during January 2012, we and Perma-Pipe Canada, Inc. agreed to loan BPPC an additional \$6.2 million for the purchase of capital assets increasing the total to \$14.2 million. Of such amount, \$4.3 million was designated as third-party debt in our consolidated financial statements. We also held \$0.1 million of third party notes and bank debt at December 31, 2014.

As of December 31, 2014, we had \$27.3 million in letters of credit issued and outstanding under the Credit Facility. Of such amount, \$10.2 million was collateral for the benefit of certain of our insurance carriers and \$17.1 million was for letters of credit or bank guarantees of performance or payment obligations of foreign subsidiaries.

In July 2013, we entered into an interest rate swap agreement for a notional amount of \$175.0 million that is set to expire in July 2016. The notional amount of this swap mirrors the amortization of a \$175.0 million portion of our \$350.0 million term loan drawn from the Credit Facility. The swap requires us to make a monthly fixed rate payment of 0.87% calculated on the amortizing \$175.0 million notional amount, and provides that we receive a payment based upon a variable monthly LIBOR interest rate calculated on the amortizing \$175.0 million notional amount. The annualized borrowing rate of the swap at December 31, 2014 was approximately 2.21%. The receipt of the monthly LIBOR-based payment offsets a variable monthly LIBOR-based interest cost on a corresponding \$175.0 million portion of our term loan from the Credit Facility. This interest rate swap is used to partially hedge the interest rate risk associated with the volatility of monthly LIBOR rate movement, and is accounted for as a cash flow hedge.

Our Credit Facility is subject to certain financial covenants, including a consolidated financial leverage ratio and consolidated fixed charge coverage ratio. On October 6, 2014, we amended the Credit Facility's defined terms for income and fixed charges to allow for the add-back of certain cash and non-cash charges related to the 2014 Restructuring Plan when calculating our compliance with the consolidated financial leverage ratio and consolidated fixed charge coverage ratio. At December 31, 2014, based upon the financial covenants, as amended, we had the capacity to borrow up to approximately \$77.1 million of additional debt under our Credit Facility. See Note 6 to the consolidated financial statements contained in this report for further discussion on our debt covenants. We were in compliance with all covenants, as amended, at December 31, 2014 and expect continued compliance for at least the next twelve months.

We believe that we have adequate resources and liquidity to fund future cash requirements and debt repayments with cash generated from operations, existing cash balances and additional short- and long-term borrowing capacity for the next 12 months. We expect cash generated from operations to improve in 2015 due to anticipated increased profitability, improved working capital management initiatives and additional cash flows generated from businesses acquired in 2011, 2012 and 2013.

Disclosure of Contractual Obligations and Commercial Commitments

We have entered into various contractual obligations and commitments in the course of our ongoing operations and financing strategies. Contractual obligations are considered to represent known future cash payments that we are required to make under existing contractual arrangements, such as debt and lease agreements. These obligations may result from both general financing activities or from commercial arrangements that are directly supported by related revenue-producing activities. Commercial commitments represent contingent obligations, which become payable only if certain pre-defined events were to occur, such as funding financial guarantees. See Note 10 to the consolidated financial statements contained in this report for further discussion regarding our commitments and contingencies.

The following table provides a summary of our contractual obligations and commercial commitments as of December 31, 2014. This table includes cash obligations related to principal outstanding under existing debt agreements and operating leases (in thousands):

Cash Obligations ^{(1) (2) (3) (4) (5)}	Payments Due by Period						
	Total	2015	2016	2017	2018	2019	Thereafter
Long-term debt and notes payable	\$ 377,475	\$ 26,399	\$ 34,932	\$ 41,784	\$ 274,360	\$ —	\$ —
Interest on long-term debt	21,371	6,923	6,376	5,577	2,495	—	—
Operating leases	50,906	17,140	13,476	8,715	5,523	3,237	2,815
Total contractual cash obligations	\$ 449,752	\$ 50,462	\$ 54,784	\$ 56,076	\$ 282,378	\$ 3,237	\$ 2,815

(1) Cash obligations are not discounted. See Notes 6 and 10 to the consolidated financial statements contained in this report regarding our long-term debt and credit facility and commitments and contingencies, respectively.

(2) Interest on long-term debt was calculated using the current annualized rate on our long-term debt as discussed in Note 6 to the consolidated financial statements contained in this report.

(3) At December 31, 2014, we had \$0.7 million in earnout and contingent liabilities that are expected to be paid out in 2015.

(4) Liabilities related to Financial Accounting Standards Board Accounting Standards Codification 740, *Income Taxes*, have not been included in the table above because we are uncertain as to if or when such amounts may be settled. As of December 31, 2014, we have income tax receivable and income tax payable of \$6.6 million and \$5.7 million, respectively, recorded on the consolidated balance sheet.

(5) There were no material purchase commitments at December 31, 2014.

Off-Balance Sheet Arrangements

We use various structures for the financing of operating equipment, including borrowings and operating leases. All debt is presented in the balance sheet. Our future commitments were \$449.8 million at December 31, 2014. We have no other off-balance sheet financing arrangements or commitments. See Note 10 to the consolidated financial statements contained in this report regarding commitments and contingencies.

Critical Accounting Policies

Discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported

amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the financial statement dates. Actual results may differ from these estimates under different assumptions or conditions.

Some accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. We believe that our critical accounting policies are those described below. For a detailed discussion on the application of these and other accounting policies, see Note 2 to the consolidated financial statements contained in this report.

Revenue Recognition

We recognize revenues and costs as construction, engineering and installation contracts progress using the percentage-of-completion method of accounting, which relies on total expected contract revenues and estimated total costs. Under this method, estimated contract revenues and resulting gross profit margin are recognized based on actual costs incurred to date as a percentage of total estimated costs. We follow this method since reasonably dependable estimates of the revenues and costs applicable to various elements of a contract can be made. Since the financial reporting of these contracts depends on estimates, which are assessed continually during the term of these contracts, recognized revenues and gross profit are subject to revisions as the contract progresses to completion. Total estimated costs, and thus contract gross profit, are impacted by changes in productivity, scheduling and the unit cost of labor, subcontracts, materials and equipment. Additionally, external factors such as weather, customer needs, customer delays in providing approvals, labor availability, governmental regulation and politics also may affect the progress and estimated cost of a project's completion and thus the timing of revenue recognition and gross profit. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known. The effects of any changes in estimates are disclosed in the notes to the consolidated financial statements and in the Management's Discussion and Analysis section of the report, if material. When current estimates of total contract costs indicate that the contract will result in a loss, the projected loss is recognized in full in the period in which the loss becomes evident. Revenues from change orders, extra work and variations in the scope of work are recognized when it is probable that they will result in additional contract revenue and when the amount can be reliably estimated. Given the uncertainties associated with some of our contracts, it is possible for actual costs to vary from estimates previously made. Revisions to estimates could result in the reversal of revenues and gross profit previously recognized. For the year ended December 31, 2014, approximately 64% of our revenues were derived from percentage-of-completion accounting.

Revenues from Brinderson are derived mainly from multiple maintenance contracts under multi-year, long-term Master Service Agreements and alliance contracts, as well as, engineering and construction-type contracts. Brinderson enters into contracts with its customers that contain three principal types of pricing provisions: time and materials, cost plus fixed fee and fixed price. Although the terms of these contracts vary, most are made pursuant to cost reimbursable contracts on a time and materials basis under which revenues are recorded based on costs incurred at agreed upon contractual rates. Brinderson also performs services on a cost plus fixed fee basis under which revenues are recorded based upon costs incurred at agreed upon rates and a proportionate amount of the fixed fee or percentage stipulated in the contract.

Many of our contracts provide for termination of the contract at the convenience of the customer. If a contract is terminated prior to completion, we would typically be compensated for progress up to the time of termination and any termination costs. In addition, many contracts are subject to certain completion schedule requirements with liquidated damages in the event schedules are not met as the result of circumstances that are within our control. Losses on terminated contracts and liquidated damages have historically not been significant.

Equity-Based Compensation

We record expense for equity-based compensation awards, including restricted shares of common stock, performance awards, stock options and stock units, based on the fair value recognition provisions contained in FASB ASC 718, *Compensation-Stock Compensation* ("FASB ASC 718"). The fair value of stock option awards is determined using an option pricing model that is based on established principles of financial economic theory. Assumptions regarding volatility, expected term, dividend yield and risk-free rate are required for valuation of stock option awards. Volatility and expected term assumptions are based on our historical experience. The risk-free rate is based on a U.S. Treasury note with a maturity similar to the option award's expected term. The fair value of restricted stock, restricted stock unit and deferred stock unit awards is determined using our closing stock price on the award date. The shares of restricted stock and restricted stock units that were awarded during 2014 are subject to service restrictions. We make forfeiture rate assumptions in connection with the valuation of restricted stock and restricted stock unit awards that could be different than actual experience. Additionally, during 2014, we awarded three-year performance based stock unit awards for a number of our key employees. These awards are subject to performance and service restrictions, and contain cumulative financial targets for the three-year performance period. These awards have a threshold, target and maximum amount of shares that could be awarded based on our financial results for the three-year period. Discussion of our application of FASB ASC 718 is described in Note 8 to the consolidated financial statements contained in this report.

Taxation

We provide for estimated income taxes payable or refundable on current year income tax returns, as well as the estimated future tax effects attributable to temporary differences and carryforwards, in accordance with FASB ASC 740, *Income Taxes* (“FASB ASC 740”). FASB ASC 740 also requires that a valuation allowance be recorded against any deferred tax assets that are not likely to be realized in the future. The determination is based on our ability to generate future taxable income and, at times, is dependent on our ability to implement strategic tax initiatives to ensure full utilization of recorded deferred tax assets. Should we not be able to implement the necessary tax strategies, we may need to record valuation allowances for certain deferred tax assets, including those related to foreign income tax benefits. Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowances recorded against net deferred tax assets.

In accordance with FASB ASC 740, tax benefits from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. In addition, this recognition model includes a measurement attribute that measures the position as the largest amount of tax that is greater than 50% likely of being realized upon ultimate settlement in accordance with FASB ASC 740. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We recognize tax liabilities in accordance with FASB ASC 740 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined. While we believe the resulting tax balances as of December 31, 2014 and 2013 were appropriately accounted for in accordance with FASB ASC 740, the ultimate outcome of such matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material.

We have recorded income tax expense at U.S. tax rates on all profits, except for undistributed profits of non-U.S. subsidiaries of approximately \$277 million, which are considered indefinitely reinvested. Determination of the amount of unrecognized deferred tax liability related to the indefinitely reinvested profits is not feasible. A deferred tax asset is recognized only if we have definite plans to generate a U.S. tax benefit by repatriating earnings in the foreseeable future.

Long-Lived Assets

Property, plant and equipment and other identified intangibles (primarily customer relationships, patents and acquired technologies, trademarks, licenses, contract backlog and non-compete agreements) are recorded at cost and, except for goodwill and certain trademarks, are depreciated or amortized on a straight-line basis over their estimated useful lives. Changes in circumstances such as technological advances, changes to the Company’s business model or changes in the Company’s capital strategy can result in the actual useful lives differing from the Company’s estimates. If the Company determines that the useful life of its property, plant and equipment or its identified intangible assets should be changed, the Company would depreciate or amortize the net book value in excess of the salvage value over its revised remaining useful life, thereby decreasing depreciation or amortization expense.

Long-lived assets, including property, plant and equipment and other intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such impairment tests are based on a comparison of undiscounted cash flows to the recorded value of the asset. The estimate of cash flow is based upon, among other things, assumptions about expected future operating performance. The Company’s estimates of undiscounted cash flow may differ from actual cash flow due to, among other things, technological changes, economic conditions, changes to its business model or changes in its operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset.

Impairment Review - September 30, 2014

As part of the 2014 Restructuring Plan, the Company evaluated the long-lived assets of its global operations affected by the restructuring initiative. The affected reporting units were (i) the Bayou reporting unit (“Bayou Reporting Unit”); (ii) the European Sewer and Water Rehabilitation (“Europe”) reporting unit; and (iii) the Asia-Pacific Sewer and Water Rehabilitation (“Asia-Pacific”) reporting unit. The results of the Bayou Reporting Unit and its related asset groups are reported within the Corrosion Protection reportable segment. The results of Europe and Asia-Pacific and their related asset groups are reported within the Infrastructure Solutions reportable segment.

In the early stages of the evaluation process, the Company reviewed the financial performance of all at risk asset groups within each affected reporting unit. Due to the ongoing weak economic conditions and weak economic outlook for certain at risk asset groups, the Company decided to no longer focus on the possible growth opportunities within these businesses;

therefore, the Company would no longer provide cash flow or operational support to these businesses. This decision was deemed a significant adverse change in the extent or manner in which the asset is currently being used, and as such, the Company performed an asset impairment review as of September 30, 2014 for all of its at risk asset groups within each of the affected reporting units in accordance with ASC 360, *Property, Plant and Equipment* (“FASB ASC 360”).

The assets of each asset group represent the lowest level for which identifiable cash flows can be determined independent of other groups of assets and liabilities. We developed internal forward business plans under the guidance of local and regional leadership to determine the undiscounted expected future cash flows derived from each of the at risk asset groups’ long-lived assets. Such were based on our best estimates considering the likelihood of various outcomes. Based on the internal projections, we determined that the undiscounted expected future cash flows for all of the identified at risk asset groups were less than the carrying value of the assets, and as a result, engaged a third-party valuation firm to assist in determining the fair value of long-lived assets at these at risk asset groups.

In order to determine the impairment amount of long-lived assets, we first determined the fair value of each key component of our long-lived assets at each asset group. For property and equipment, we primarily utilized the cost and market approaches, which involved the use of significant estimates and assumptions such as salvage and scrap market data and producer price indices. We also considered functional and economic obsolescence related to the business and the assets. Based upon the results of the analysis, the at risk asset groups with a fair value less than the carrying value of their respective assets included Bayou and Bayou Delta of the Bayou Reporting Unit; France of the Europe reporting unit; and Malaysia and India of the Asia-Pacific reporting unit. Accordingly, we recorded a total impairment charge of \$11.9 million in the third quarter of 2014, which consisted of \$10.9 million related to Bayou, \$0.4 million related to Bayou Delta, \$0.2 million related to France, \$0.3 million related to Malaysia and \$0.1 million related to India. The impairment charge was primarily recorded to cost of revenues in the Consolidated Statements of Operations.

Included within the impairment assessment were Bayou-related intangible assets such as tradenames and customer relationships that were also tested on an undiscounted cash flow basis. For customer relationships, the undiscounted expected future cash flows were less than the carrying value; thus, we engaged a third-party valuation firm to assist in determining the fair value of customer relationships recorded at Bayou. In order to determine the impairment amount of the customer relationships intangible asset, we calculated the fair value of the intangible based on the multi-period excess earnings method, which utilizes discounted cash flows to evaluate the net earnings attributable to the asset being measured. Key assumptions used in assessment include the discount rate (based on weighted-average cost of capital), revenue growth rates, contributory asset charges and working capital needs, which were based on current market conditions and were consistent with our projections.

Based on the results of the valuation, the carrying amount of the customer relationship intangible asset at Bayou exceeded the fair value and resulted in a full impairment as of September 30, 2014. Accordingly, we recorded a \$10.9 million impairment charge in the third quarter of 2014. The impairment charge was recorded to definite-lived intangible asset impairment in the Consolidated Statements of Operations.

Annual Impairment Assessment - October 1, 2014

As a result of the annual impairment assessment in accordance with FASB ASC 350, *Intangibles – Goodwill and Other* (“FASB ASC 350”), the Fyfe Rehabilitation (“Fyfe”) reporting unit had a fair value below its carrying value, which caused us to review the financial performance of all at risk asset groups within that reporting unit in accordance with FASB ASC 360. The results of Fyfe and its related asset groups are reported within the Infrastructure Solutions reportable segment.

The assets of each asset group represent the lowest level for which identifiable cash flows can be determined independent of other groups of assets and liabilities. We developed internal forward business plans under the guidance of local and regional leadership to determine the undiscounted expected future cash flows derived from each of the at risk asset groups’ long-lived assets. Such were based on our best estimates considering the likelihood of various outcomes. Based on internal cash flow projections, we determined that the undiscounted expected future cash flows for the Fyfe Latin America asset group was less than the carrying value of its assets, and as a result, engaged a third-party valuation firm to assist in determining the fair value of long-lived assets at this at risk asset group, which primarily consisted of a customer relationship intangible asset. In order to determine the impairment amount of the customer relationships intangible asset, we calculated the fair value of the intangible based on the multi-period excess earnings method, which utilizes discounted cash flows to evaluate the net earnings attributable to the asset being measured. Key assumptions used in assessment include the discount rate (based on weighted-average cost of capital), revenue growth rates, contributory asset charges and working capital needs, which were based on current market conditions and were consistent with our projections.

Based on the results of the valuation, the carrying amount of the customer relationship intangible asset at Fyfe Latin America exceeded the fair value and resulted in a \$1.2 million impairment charge in the fourth quarter of 2014. The impairment charge was recorded to definite-lived intangible asset impairment in the Consolidated Statements of Operations.

Impairment Review - December 31, 2014

During the fourth quarter of 2014, certain reporting units operating in the energy sector experienced customer-driven delays, work order cancellations, and canceled sales opportunities as a result of declining crude oil prices since October 2014. As a result, we evaluated the long-lived assets of our operations affected by these circumstances and determined that a significant adverse change had occurred in the extent or manner in which these assets are currently being used. As such, we performed an asset impairment review as of December 31, 2014, in accordance with FASB ASC 360, for all of our at risk asset groups within the CRTS and Bayou Reporting Units. The results of these reporting units and their related asset groups are reported within the Corrosion Protection reportable segment.

The assets of each asset group represent the lowest level for which identifiable cash flows can be determined independent of other groups of assets and liabilities. We developed internal forward business plans under the guidance of local and regional leadership to determine the undiscounted expected future cash flows derived from each of the at risk asset groups' long-lived assets. Such were based on our best estimates considering the likelihood of various outcomes. Based on the internal projections, we determined that the undiscounted expected future cash flows for all of the identified at risk asset groups exceeded the carrying value of the assets, and as such, no impairment to recorded long-lived assets was required.

The fair value estimates described above were determined using observable inputs and significant unobservable inputs, which are based on level 3 inputs as defined in Note 11.

Goodwill

Under FASB ASC 350, we assess recoverability of goodwill on an annual basis or when events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. An impairment charge will be recognized to the extent that the implied fair value of a reporting unit is less than its carrying value. Factors that could potentially trigger an impairment review include (but are not limited to):

- significant underperformance of a segment relative to expected, historical or forecasted operating results;
- significant negative industry or economic trends;
- significant changes in the strategy for a segment including extended slowdowns in the segment's market;
- a decrease in our market capitalization below our book value; and
- a significant change in regulations.

Whether during the annual impairment assessment or during a trigger-based impairment review, we determine the fair value of our reporting units and compare such fair value to the carrying value of those reporting units to determine if there were any indications of goodwill impairment.

Fair value of reporting units is determined using a combination of two valuation methods: a market approach and an income approach with each method given equal weight in determining the fair value assigned to each reporting unit. Absent an indication of fair value from a potential buyer or similar specific transaction, we believe the use of these two methods provides a reasonable estimate of a reporting unit's fair value. Assumptions common to both methods are operating plans and economic outlooks, which are used to forecast future revenues, earnings and after-tax cash flows for each reporting unit. These assumptions are applied consistently for both methods.

The market approach estimates fair value by first determining earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples for comparable publicly-traded companies with similar characteristics of the reporting unit. The EBITDA multiples for comparable companies are based upon current enterprise value. The enterprise value is based upon current market capitalization and includes a control premium. We believe this approach is appropriate because it provides a fair value estimate using multiples from entities with operations and economic characteristics comparable to our reporting units.

The income approach is based on forecasted future (debt-free) cash flows that are discounted to present value using factors that consider timing and risk of future cash flows. We believe this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash flow performance. Discounted cash flow projections are based on financial forecasts developed from operating plans and economic outlooks, growth rates, estimates of future expected changes in operating margins, terminal value growth rates, future capital expenditures and changes in working capital requirements. Estimates of discounted cash flows may differ from actual cash flows due to, among other things, changes in economic conditions, changes to business models, changes in our weighted average cost of capital, or changes in operating performance.

The discount rate applied to the estimated future cash flows is one of the most significant assumptions utilized under the income approach. We determine the appropriate discount rate for each of our reporting units based on the weighted average cost of capital ("WACC") for each individual reporting unit. The WACC takes into account both the pre-tax cost of debt and

cost of equity (a major component of the cost of equity is the current risk-free rate on twenty year U.S. Treasury bonds). As each reporting unit has a different risk profile based on the nature of its operations, including market-based factors, the WACC for each reporting unit may differ. Accordingly, the WACCs are adjusted, as appropriate, to account for company-specific risks associated with each reporting unit.

Impairment Review - September 30, 2014

As a result of the 2014 Restructuring Plan, we evaluated the goodwill of our global operations affected by the restructuring initiative and determined that a triggering event had occurred. As such, we performed a goodwill impairment review for each affected reporting unit as of September 30, 2014. Our reporting units adversely affected by the 2014 Restructuring Plan were Bayou, Europe and Asia-Pacific. In accordance with the provisions of FASB ASC 350, we determined the fair value of our reporting units and compared such fair value to the carrying value of those reporting units. For all three reporting units, fair value exceeded carrying value, and as such, no impairment to recorded goodwill was required.

Significant assumptions used in our goodwill review included: (i) discount rates ranging from 13.0% to 16.5%; (ii) annual revenue growth rates generally ranging from 2% to 7%; (iii) sustained or slightly increased gross margins; (iv) peer group EBITDA multiples; and (v) terminal values for each reporting unit using a long-term growth rate of 2.5% to 3.0%. If actual results differ from estimates used in these calculations, we could incur future impairment charges.

For the Bayou reporting unit, the excess of fair value in relation to its carrying value was 10.2%. The values derived from both the income approach and market approach decreased from the October 1, 2013 analysis; however, the fair value in relation to its carrying value improved from the prior year due to a decrease in carrying value as of the valuation dates. During the first nine months of 2014, the carrying value of the Bayou reporting unit was lowered due to the sale of its interest in Bayou Coating as described in Note 1 to the consolidated financial statements contained in this report and the impairment of tangible and intangibles assets described above. The fair value for the Bayou reporting unit decreased \$48.0 million, or 30.9%, from the prior year analysis due to the suspension of a material contract, a lack of project activity available in the Gulf of Mexico market and customer-driven project delays. The impairment analysis assumed a weighted average cost of capital of 13.5% and a long-term growth rate of 3%. The analysis also included an annual revenue growth rate of approximately 5% which was modestly higher than the prior year actual results, but at a level that is below our five-year average. Projected cash flows anticipate a modest recovery in the Gulf of Mexico market beginning in 2015. We noted improved visibility into larger bidding opportunities for deep water drilling activities in the Gulf of Mexico; however, there is a significant lead time from drilling to the point of building the pipeline infrastructure, or gather lines, to bring oil and natural gas onshore for refinement. This extended lead time creates added uncertainty and could have a material negative impact on long-term projected cash flows. Additionally, projected cash flows related to the Bayou reporting unit's new insulation facility located in Louisiana are subject to final operational testing and largely dependent in 2015 and 2016 on a single, large customer with whom we have a long-standing history. The Bayou reporting unit's Canadian coating operation, while not as reliant on larger projects, is dependent upon overall increased project activity in order to realize the cash flow projections included in the impairment analysis. If any of these assumptions do not materialize in a manner consistent with our expectations, there is risk of impairment to recorded goodwill.

For the Europe reporting unit, the excess of fair value in relation to its carrying value was 9.3%. The values derived from both the income approach and market approach decreased from the October 1, 2013 analysis, and the fair value in relation to its carrying value declined from the prior year due to exiting certain European operations. The fair value for Europe decreased \$8.2 million, or 9.5%, from the prior year analysis. The impairment analysis assumed a weighted average cost of capital of 14.0% and a long-term growth rate of 2.5%. The analysis also included an annual revenue growth rate of approximately 5% which is slightly below the prior year results and certain cost savings expected to be achieved through the 2014 Restructuring Plan. In addition, projected cash flows were also based, in part, on the successful closure or sale of the Insituform contracting operations in France and Switzerland. In December 2014, we sold the Switzerland operations. If any of these assumptions do not materialize in a manner consistent with our expectations, there is risk of impairment to recorded goodwill.

For the Asia-Pacific reporting unit, the excess of fair value in relation to its carrying value was 12.1%. The values derived from both the income approach and market approach decreased from the October 1, 2013 analysis, and the fair value in relation to its carrying value declined from the prior year due to exiting certain Asia-Pacific operations, many of which were underperforming. The fair value for Asia-Pacific decreased \$18.0 million, or 36.4%, from the prior year analysis. The impairment analysis assumed a weighted average cost of capital of 14.0% and a long-term growth rate of 3.0%. The analysis also included an annual revenue growth rate of approximately 5% for the remaining operations and certain cost savings expected to be achieved through the 2014 Restructuring Plan. In addition, projected cash flows were also based, in part, on the successful closure of the Insituform contracting operations in India, Hong Kong, Malaysia and Singapore. If any of these assumptions do not materialize in a manner consistent with our expectations, there is risk of impairment to recorded goodwill.

The total value of goodwill recorded at September 30, 2014 for the Bayou, Europe and Asia-Pacific reporting units was \$29.7 million, \$20.4 million and \$5.3 million, respectively.

Annual Impairment Assessment - October 1, 2014

We had nine reporting units for purposes of assessing goodwill at October 1, 2014 as follows: North American Rehabilitation, Europe, Asia-Pacific, United Pipeline Systems, Bayou, Corrpro, CRTS, Brinderson and Fyfe.

Significant assumptions used in our October 2014 goodwill review included: (i) discount rates ranging from 12.5% to 16.0%; (ii) annual revenue growth rates generally ranging from 1% to 20%; (iii) sustained or slightly increased gross margins; (iv) peer group EBITDA multiples; and (v) terminal values for each reporting unit using a long-term growth rate of 1.0% to 3.5%. If actual results differ from estimates used in these calculations, we could incur future impairment charges.

During our assessment of our reporting units' fair values in relation to their respective carrying values, four reporting units had a fair value in excess of 30% of their carrying value, two reporting units had a fair value within 10% percent of their carrying value, and one had a fair value below its carrying value. The two reporting units with a fair value within 10% of their carrying value were the Europe and CRTS reporting units, which had fair values exceeding their carrying values by 9.3% and 2.5%, respectively. The one reporting unit with a fair value below its carrying value was the Fyfe reporting unit, which had a fair value less than its carrying value by 6.2%. The total value of goodwill recorded at the impairment testing date for the Europe, CRTS and Fyfe reporting units was \$20.4 million, \$20.1 million and \$66.5 million, respectively.

For the CRTS reporting unit, excess fair value in relation to its carrying value was 2.5%. The values derived from both the income approach and the market approach decreased from the October 1, 2013 annual goodwill impairment analysis, and the fair value in relation to its carrying value declined from the prior year due to reduced longer-term outlooks for higher-margin, international offshore markets. CRTS achieved healthy project wins during 2014; however, most were situated in international onshore and mining markets, which typically offer lower margin profiles. We expect this trend to continue into the foreseeable future. The fair value for CRTS decreased \$3.8 million, or 6.8%, from the prior year analysis. The 2014 analysis assumed a weighted average cost of capital of 13.5%, compared 13.0% in 2013, and a long-term growth rate of 3.0%, which is consistent with the October 1, 2013 review. The income approach analysis also included an annual revenue growth rate of approximately 6.5%, which is higher than the prior year; however, average gross margins were approximately 150 basis points lower in 2014 due to the shift in expected project mix. See below for the impairment review conducted as of December 31, 2014.

For the Fyfe reporting unit, fair value in relation to its carrying value was negative 6.2%. The values derived from both the income approach and the market approach decreased from the October 1, 2013 analysis, and the fair value in relation to its carrying value declined from the prior year due to lower longer-term expectations for the Fyfe businesses, primarily in North America, because our recent investments in operational leadership and business development have yielded slower than expected growth. For the 2013 analysis, we assumed bidding activity would increase in 2014 and result in new contract wins that would commence in 2014 and 2015. While stability has been restored and improvements have been made in 2014, the ability to sustain new order intake and improve gross profits have not materialized as rapidly as expected. The fair value for Fyfe decreased \$40.1 million, or 20.7%, from the prior year analysis. The impairment analysis assumed a weighted average cost of capital of 16.0% and a long-term growth rate of 3.5%. The analysis also included an annual revenue growth rate of approximately 10%, due to the low revenue levels achieved in 2014. As a result of failing Step 1, we performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. In estimating the implied fair value of goodwill for a reporting unit, we assign the fair value (as determined in Step 1) to the assets and liabilities associated with the reporting unit as if the reporting unit had been acquired in a business combination. Any excess of the carrying value of goodwill of the reporting unit over its implied fair value is recorded as impairment. Based on this analysis, we determined that recorded goodwill at Fyfe was impaired by \$16.1 million, which we recorded to "Goodwill impairment" in the Consolidated Statement of Operations in the fourth quarter of 2014. As of December 31, 2014, we had remaining Fyfe goodwill of \$50.2 million. Projected cash flows were based, in part, on achieving certain growth levels of new applications for the Fibrwrap[®] technology, in particular, nuclear power plants, which represents a significant market opportunity for the North American operations. One project in this market was completed in 2014, but one was delayed into 2015. Our future cash flows include increased revenue projections related to growth in the pipeline market, specifically industrial and municipal pipelines. Delays in our growth projections could have a material negative affect on Fyfe's projected long-term cash flows. Also included in the projected cash flows are certain cost savings expected to be achieved through the 2014 Restructuring Plan. If any of these assumptions do not materialize in a manner consistent with our expectations, there is risk of impairment to recorded goodwill.

Impairment Review - December 31, 2014

During the fourth quarter of 2014, certain reporting units operating in the energy sector experienced customer-driven delays, work order cancellations, and canceled sales opportunities as a result of declining crude oil prices since October 2014. We evaluated the goodwill of our operations affected by these circumstances and determined that a triggering event had occurred. As such, we performed a goodwill impairment review for our Bayou and CRTS reporting units as of December 31, 2014. In accordance with the provisions of FASB ASC 350, we determined the fair value of our affected reporting units and compared such fair value to the carrying value of those reporting units. For both reporting units, carrying value exceeded fair value.

For the Bayou reporting unit, fair value in relation to its carrying value was negative 9.5%. The values derived from the income approach and the market approach decreased 21.3% and 12.0%, respectively, from the September 30, 2014 goodwill impairment analysis. Current uncertainty in the upstream oil markets, which caused work order cancellations and canceled sales opportunities in North America for the Bayou Canada and CCSI asset groups, affected our expected future cash flows in 2015 and 2016. The impairment analysis assumed a weighted average cost of capital of 13.5% and a long-term growth rate of 3.0%, which are both consistent with the September 30, 2014 review. The income approach analysis also included an annual revenue growth rate of approximately 4.0%, which was slightly lower than the 4.5% annual growth in the previous analysis. In addition, average gross margins were approximately 35 basis points lower in 2014 due to expected market contraction and lower plant utilization rates. As a result of failing Step 1, we performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. In estimating the implied fair value of goodwill for a reporting unit, we assign the fair value (as determined in Step 1) to the assets and liabilities associated with the reporting unit as if the reporting unit had been acquired in a business combination. Any excess of the carrying value of goodwill of the reporting unit over its implied fair value is recorded as impairment. Based on this analysis, we determined that Bayou's goodwill was fully impaired; and as such, we recorded a \$29.7 million charge to "Goodwill impairment" in the Consolidated Statement of Operations in 2014. As of December 31, 2014, there was no recorded goodwill at Bayou.

For the CRTS reporting unit, fair value in relation to its carrying value was negative 13.8%. The values derived from both the income approach and the market approach decreased from the October 1, 2014 annual goodwill impairment analysis due to current uncertainty in the upstream oil markets, which caused customer-driven delays in the more profitable international offshore pipeline market and delayed or canceled sales opportunities in certain North American markets. These adverse conditions affected our expected future cash flows in 2015 and 2016. The fair value for CRTS decreased \$5.4 million, or 10.5%, from the previous analysis. The impairment analysis assumed a weighted average cost of capital of 13.5% and a long-term growth rate of 3.0%, which are both consistent with the October 1, 2014 review. The income approach analysis also included an annual revenue growth rate of approximately 3.8%, which is lower than the 6.5% growth rate assumed in the previous analysis. Expected gross margins were consistent between both analyses. As a result of failing Step 1, we performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. In estimating the implied fair value of goodwill for a reporting unit, we assign the fair value (as determined in Step 1) to the assets and liabilities associated with the reporting unit as if the reporting unit had been acquired in a business combination. Any excess of the carrying value of goodwill of the reporting unit over its implied fair value is recorded as impairment. Based on this analysis, we determined that recorded goodwill at CRTS was impaired by \$5.7 million, which we recorded to "Goodwill impairment" in the Consolidated Statement of Operations in 2014. As of December 31, 2014, we had remaining CRTS goodwill of \$14.4 million. Projected cash flows were based, in part, on our ability to expand our technology to other applications and grow the onshore business. If these assumptions do not materialize in a manner consistent with our expectations, there is risk of impairment to recorded goodwill.

The following table presents a reconciliation of the beginning and ending balances of the Company's goodwill at January 1, 2014 and December 31, 2014 (in millions):

	Infrastructure Solutions	Corrosion Protection	Energy Services	Total
Beginning balance at January 1, 2014	\$ 195,570	\$ 75,862	\$ 77,248	\$ 348,680
Adjustments to goodwill ⁽¹⁾⁽²⁾	1,098	—	(1,000)	98
Impairments ⁽³⁾	(16,069)	(35,443)	—	(51,512)
Foreign currency translation	(3,324)	(919)	—	(4,243)
Goodwill at December 31, 2014	<u>\$ 177,275</u>	<u>\$ 39,500</u>	<u>\$ 76,248</u>	<u>\$ 293,023</u>

⁽¹⁾ During the second quarter of 2014, the Company recorded goodwill of \$1.1 million related to the 2012 acquisition of Fyfe Asia (see Note 1 to the consolidated financial statements contained in this report).

⁽²⁾ During the fourth quarter of 2014, the Company decreased goodwill by \$1.0 million related to the 2013 acquisition of Brinderson (see Note 1 to the consolidated financial statements contained in this report).

⁽³⁾ During the fourth quarter of 2014, the Company recorded a goodwill impairment to its Fyfe reporting unit of \$16.1 million, which is included in the Infrastructure Solutions reportable segment, and goodwill impairments to its Bayou and CRTS reporting units of \$29.7 million and \$5.7 million, respectively, which are included in the Corrosion Protection reportable segment (see Note 2 to the consolidated financial statements contained in this report).

Subsequent to December 31, 2014, our stock price experienced high volatility, causing a decline in the Company's enterprise market capitalization. This decline was considered temporary based on the business results that we anticipated reporting for the fourth quarter of 2014 along with analyst indications that the stock market was undervaluing companies in our industry. If a decrease in our stock price and market capitalization continues over a sustained period, we could incur future impairment charges.

Recently Adopted Accounting Pronouncements

See Note 2 to the consolidated financial statements contained in this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

We are exposed to the effect of interest rate changes and of foreign currency and commodity price fluctuations. We currently do not use derivative contracts to manage commodity risks. From time to time, we may enter into foreign currency forward contracts to fix exchange rates for net investments in foreign operations to hedge our foreign exchange risk.

Interest Rate Risk

The fair value of our cash and short-term investment portfolio at December 31, 2014 approximated carrying value. Given the short-term nature of these instruments, market risk, as measured by the change in fair value resulting from a hypothetical 100 basis point change in interest rates, would not be material.

Our objectives in managing exposure to interest rate changes are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we maintain fixed rate debt whenever favorable; however, the majority of our debt at December 31, 2014 was variable rate debt. We partially mitigate interest rate risk through interest rate swap agreements, which are used to hedge the volatility of monthly LIBOR rate movement of our debt.

At December 31, 2014, the estimated fair value of our long-term debt was approximately \$377.0 million. Fair value was estimated using market rates for debt of similar risk and maturity and a discounted cash flow model. Market risk related to the potential increase in fair value resulting from a hypothetical 100 basis point increase in our debt specific borrowing rates at December 31, 2014 would result in a \$2.1 million increase in interest expense.

Foreign Exchange Risk

We operate subsidiaries and are associated with licensees and affiliated companies operating solely outside of the United States and in foreign currencies. Consequently, we are inherently exposed to risks associated with the fluctuation in the value of the local currencies compared to the U.S. dollar. At December 31, 2014, a substantial portion of our cash and cash equivalents was denominated in foreign currencies, and a hypothetical 10.0% change in currency exchange rates could result in an approximate \$10.1 million impact to our equity through accumulated other comprehensive income.

In order to help mitigate this risk, we may enter into foreign exchange forward contracts to minimize the short-term impact of foreign currency fluctuations. We do not engage in hedging transactions for speculative investment reasons. There can be no assurance that our hedging operations will eliminate or substantially reduce risks associated with fluctuating currencies. At December 31, 2014, there were no material foreign currency hedge instruments outstanding. See Note 11 to the consolidated financial statements contained in this report for additional information and disclosures regarding our derivative financial instruments.

Commodity Risk

We have exposure to the effect of limitations on supply and changes in commodity pricing relative to a variety of raw materials that we purchase and use in our operating activities, most notably resin, iron ore, chemicals, staple fiber, fuel, metals and pipe. We manage this risk by entering into agreements with certain suppliers utilizing a request for proposal, or RFP, format and purchasing in bulk, and advantageous buying on the spot market for certain metals, when possible. We also manage this risk by continuously updating our estimation systems for bidding contracts so that we are able to price our products and services appropriately to our customers. However, we face exposure on contracts in process that have already been priced and are not subject to any cost adjustments in the contract. This exposure is potentially more significant on our longer-term projects.

We obtain a majority of our global resin requirements, one of our primary raw materials, from multiple suppliers in order to diversify our supplier base and thus reduce the risks inherent in concentrated supply streams. We have qualified a number of vendors in North America, Europe and Asia that can deliver, and are currently delivering, proprietary resins that meet our specifications.

The primary products and raw materials used by our infrastructure rehabilitation operations in the manufacture of fiber reinforced polymer composite systems are carbon, glass, resins, fabric and epoxy raw materials. Fabric and epoxies are the largest materials purchased, which are currently purchased through a select group of suppliers, although we believe these and the other materials are available from a number of vendors. The price of epoxy historically is affected by the price of oil. In

addition, a number of factors such as worldwide demand, labor costs, energy costs, import duties and other trade restrictions may influence the price of these raw materials.

Iron ore inventory balances are managed according to our anticipated volume of concrete weight coating projects. We obtain the majority of our iron ore from a limited number of suppliers, and pricing can be volatile. Iron ore is typically purchased near the start of each project. Concrete weight coating revenue accounts for a small percentage of our overall revenues.

Item 8. Financial Statements and Supplementary Data

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Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f).

Under the supervision and with the participation of Company management, including the Chief Executive Officer (the principal executive officer) and the Chief Financial Officer (the principal financial officer), an evaluation was performed of the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In performing this evaluation, management employed the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework* (2013).

Based on the criteria set forth in *Internal Control – Integrated Framework* (2013), management, including the Company's Chief Executive Officer and its Chief Financial Officer, has concluded that the Company's internal control over financial reporting was effective as of December 31, 2014.

Company management does not expect that its system of internal control over financial reporting and procedures will prevent all misstatements due to inherent limitations. Therefore, management's assessment provides reasonable, but not absolute, assurance that misstatements will be prevented and/or detected by the established internal control and procedures over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which appears herein.

/s/ Charles R. Gordon

Charles R. Gordon
President and Chief Executive Officer
(Principal Executive Officer)

/s/ David A. Martin

David A. Martin
Executive Vice President and Chief
Financial Officer
(Principal Financial Officer)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Aegion Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, equity and cash flows present fairly, in all material respects, the financial position of Aegion Corporation and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Saint Louis, Missouri
March 2, 2015

AEGION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	2014	2013	2012
Revenues	\$ 1,331,421	\$ 1,091,420	\$ 1,016,831
Cost of revenues	1,051,438	844,399	773,077
Gross profit	279,983	247,021	243,754
Operating expenses	234,105	178,483	168,846
Goodwill impairment	51,512	—	—
Definite-lived intangible asset impairment	12,116	—	—
Earnout reversal	—	(4,175)	(10,019)
Acquisition-related expenses	1,375	5,831	3,124
Restructuring charges	687	—	—
Operating income (loss)	(19,812)	66,882	81,803
Other income (expense):			
Interest expense	(12,943)	(13,169)	(10,071)
Interest income	633	325	505
Other	(3,853)	4,964	(1,371)
Total other expense	(16,163)	(7,880)	(10,937)
Income (loss) before taxes on income	(35,975)	59,002	70,866
Taxes (benefit) on income (loss)	(3,840)	12,154	18,663
Income (loss) before equity in earnings of affiliated companies	(32,135)	46,848	52,203
Equity in earnings of affiliated companies	570	5,159	6,359
Income (loss) from continuing operations	(31,565)	52,007	58,562
Loss from discontinued operations	(3,847)	(6,461)	(1,713)
Net income (loss)	(35,412)	45,546	56,849
Non-controlling interests	(1,755)	(1,195)	(4,188)
Net income (loss) attributable to Aegion Corporation	<u>\$ (37,167)</u>	<u>\$ 44,351</u>	<u>\$ 52,661</u>
Earnings per share attributable to Aegion Corporation:			
Basic:			
Income (loss) from continuing operations	\$ (0.88)	\$ 1.31	\$ 1.38
Loss from discontinued operations	(0.10)	(0.17)	(0.04)
Net income (loss)	\$ (0.98)	\$ 1.14	\$ 1.34
Diluted:			
Income (loss) from continuing operations	\$ (0.88)	\$ 1.30	\$ 1.37
Loss from discontinued operations	(0.10)	(0.17)	(0.04)
Net income (loss)	\$ (0.98)	\$ 1.13	\$ 1.33

The accompanying notes are an integral part of the consolidated financial statements.

AEGION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	2014	2013	2012
Net income (loss)	\$ (35,412)	\$ 45,546	\$ 56,849
Other comprehensive income (loss):			
Currency translation adjustments	(27,591)	(13,428)	9,691
Pension activity, net of tax ⁽¹⁾	(576)	38	154
Deferred gain (loss) on hedging activity, net of tax ⁽²⁾	296	(255)	(134)
Total comprehensive income (loss)	(63,283)	31,901	66,560
Less: comprehensive income attributable to noncontrolling interests	(605)	(749)	(4,501)
Comprehensive income (loss) attributable to Aegion Corporation	<u>\$ (63,888)</u>	<u>\$ 31,152</u>	<u>\$ 62,059</u>

⁽¹⁾ Amounts presented net of tax of \$(158), \$11 and \$46 for the years ended December 31, 2014, 2013, and 2012, respectively.

⁽²⁾ Amounts presented net of tax of \$196, \$(168) and \$(89) for the years ended December 31, 2014, 2013 and 2012, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

AEGION CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31,	
	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 174,965	\$ 158,045
Restricted cash	2,075	483
Receivables, net	227,481	231,775
Retainage	38,318	30,831
Costs and estimated earnings in excess of billings	94,045	79,999
Inventories	59,192	58,768
Prepaid expenses and other current assets	42,046	38,522
Current assets of discontinued operations	—	5,435
Total current assets	638,122	603,858
Property, plant & equipment, less accumulated depreciation	168,213	182,303
Other assets		
Goodwill	293,023	348,680
Identified intangible assets, less accumulated amortization	182,273	209,283
Investments	—	9,101
Deferred income tax assets	3,334	6,957
Other assets	10,708	14,315
Total other assets	489,338	588,336
Non-current assets of discontinued operations	—	2,921
Total Assets	\$ 1,295,673	\$ 1,377,418
Liabilities and Equity		
Current liabilities		
Accounts payable	\$ 83,285	\$ 80,417
Accrued expenses	111,617	105,466
Billings in excess of costs and estimated earnings	43,022	24,978
Current maturities of long-term debt and line of credit	26,399	22,024
Current liabilities of discontinued operations	—	2,070
Total current liabilities	264,323	234,955
Long-term debt, less current maturities	351,076	366,616
Deferred income tax liabilities	22,913	38,217
Other non-current liabilities	12,276	10,512
Non-current liabilities of discontinued operations	—	197
Total liabilities	650,588	650,497
(See Commitments and Contingencies: Note 10)		
Equity		
Preferred stock, undesignated, \$.10 par – shares authorized 2,000,000; none outstanding	—	—
Common stock, \$.01 par – shares authorized 125,000,000; shares issued and outstanding 37,360,515 and 37,983,114, respectively	374	380
Additional paid-in capital	217,289	236,128
Retained earnings	433,641	470,808
Accumulated other comprehensive income (loss)	(24,669)	2,052
Total stockholders' equity	626,635	709,368
Non-controlling interests	18,450	17,553
Total equity	645,085	726,921
Total Liabilities and Equity	\$ 1,295,673	\$ 1,377,418

The accompanying notes are an integral part of the consolidated financial statements.

AEGION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except number of shares)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non- Controlling Interests	Total Equity
	Shares	Amount					
BALANCE, December 31, 2011	39,352,375	\$ 394	\$ 260,680	\$ 373,796	\$ 5,862	\$ 8,257	\$ 648,989
Net income	—	—	—	52,661	—	4,188	56,849
Issuance of common stock upon stock option exercises, including tax benefit	52,676	1	1,175	—	—	—	1,176
Restricted shares issued	239,523	2	—	—	—	—	2
Issuance of shares pursuant to restricted stock units	15,177	—	—	—	—	—	—
Issuance of shares pursuant to deferred stock unit awards	34,132	—	—	—	—	—	—
Forfeitures of restricted shares	(36,325)	—	—	—	—	—	—
Repurchase of common stock	(704,997)	(7)	(12,301)	—	—	—	(12,308)
Equity-based compensation expense	—	—	6,767	—	—	—	6,767
Investment by non-controlling interests	—	—	—	—	—	4,939	4,939
Purchase of non-controlling interest	—	—	888	—	—	(893)	(5)
Currency translation adjustment and derivative transactions, net	—	—	—	—	9,398	313	9,711
BALANCE, December 31, 2012	38,952,561	\$ 390	\$ 257,209	\$ 426,457	\$ 15,260	\$ 16,804	\$ 716,120
Net income	—	—	—	44,351	—	1,195	45,546
Issuance of common stock upon stock option exercises, including tax benefit	29,511	—	899	—	—	—	899
Restricted shares issued	435,025	4	—	—	—	—	4
Issuance of shares pursuant to restricted stock units	13,761	—	—	—	—	—	—
Issuance of shares pursuant to deferred stock unit awards	7,029	—	—	—	—	—	—
Forfeitures of restricted shares	(236,388)	(2)	—	—	—	—	(2)
Repurchase of common stock	(1,218,385)	(12)	(27,636)	—	—	—	(27,648)
Equity-based compensation expense	—	—	5,647	—	—	—	5,647
Currency translation adjustment and derivative transactions, net	—	—	9	—	(13,208)	(446)	(13,645)
BALANCE, December 31, 2013	37,983,114	\$ 380	\$ 236,128	\$ 470,808	\$ 2,052	\$ 17,553	\$ 726,921
Net income (loss)	—	—	—	(37,167)	—	1,755	(35,412)
Issuance of common stock upon stock option exercises, including tax benefit	526,359	5	8,070	—	—	—	8,075
Restricted shares issued	242,722	2	—	—	—	—	2
Issuance of shares pursuant to restricted stock units	15,277	—	—	—	—	—	—
Issuance of shares pursuant to deferred stock unit awards	31,794	—	—	—	—	—	—
Forfeitures of restricted shares	(104,013)	(1)	—	—	—	—	(1)
Repurchase of common stock	(1,334,738)	(12)	(31,073)	—	—	—	(31,085)
Equity-based compensation expense	—	—	5,073	—	—	—	5,073
Purchase of non-controlling interest	—	—	(909)	—	—	292	(617)
Currency translation adjustment and derivative transactions, net	—	—	—	—	(26,721)	(1,150)	(27,871)
BALANCE, December 31, 2014	37,360,515	\$ 374	\$ 217,289	\$ 433,641	\$ (24,669)	\$ 18,450	\$ 645,085

The accompanying notes are an integral part of the consolidated financial statements.

AEGION CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net income (loss)	\$ (35,412)	\$ 45,546	\$ 56,849
Loss from discontinued operations	3,847	6,461	1,713
	(31,565)	52,007	58,562
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	44,312	40,329	37,658
Gain on sale of fixed assets	(310)	(816)	(397)
Equity-based compensation expense	5,073	5,647	6,767
Deferred income taxes	(16,816)	(2,675)	(3,004)
Equity in earnings of affiliated companies	(570)	(5,159)	(6,359)
Non-cash restructuring charges	20,592	—	—
Fixed asset impairment	11,870	—	—
Definite-lived intangible asset impairment	12,116	—	—
Goodwill impairment	51,512	—	—
Debt issuance costs	157	1,964	—
Earnout reversal	—	(4,175)	(10,019)
Gain on sale of interests in German joint venture	—	(11,771)	—
Loss on sale of interests in Bayou Coating, L.L.C.	472	—	—
Loss on sale of Ka-te Insituform AG	516	—	—
Loss on foreign currency transactions	627	2,425	1,049
Other	1,279	1,588	(4,793)
Changes in operating assets and liabilities (net of acquisitions):			
Restricted cash related to operating activities	(454)	(102)	(299)
Return on equity of affiliated companies	590	10,691	11,034
Receivables net, retainage and costs and estimated earnings in excess of billings	(41,211)	8,222	7,875
Inventories	(5,286)	(736)	(3,376)
Prepaid expenses and other assets	3,465	(9,685)	2,754
Accounts payable and accrued expenses	25,097	2,604	12,634
Other operating	402	(2,293)	865
Net cash provided by operating activities of continuing operations	81,868	88,065	110,951
Net cash used in operating activities of discontinued operations	(1,045)	(3,761)	(230)
Net cash provided by operating activities	80,823	84,304	110,721
Cash flows from investing activities:			
Capital expenditures	(32,899)	(26,085)	(44,738)
Proceeds from sale of fixed assets	1,547	3,435	4,401
Patent expenditures	(1,923)	(2,032)	(552)
Restricted cash related to investing activities	(1,153)	—	—
Proceeds from sale of interests in Bayou Coating, L.L.C.	9,065	—	—
Proceeds from sale of Ka-te Insituform AG	1,123	—	—
Proceeds from sale of interests in German joint venture	—	18,300	—
Purchase of Brinderson, net of cash acquired	1,000	(143,763)	—
Purchase of Fyfe Latin America, net of cash acquired	—	—	(3,048)
Purchase of Fyfe Asia, net of cash acquired	—	—	(38,841)
Purchase of CRTS, Hockway and Fyfe North America, net of cash required	—	—	516
Net cash used in investing activities of continuing operations	(23,240)	(150,145)	(82,262)
Net cash provided by (used in) investing activities of discontinued operations	1,045	845	(1,156)
Net cash used in investing activities	(22,195)	(149,300)	(83,418)

Cash flows from financing activities:

Proceeds from issuance of common stock upon stock option exercises, including tax effects	8,615	594	1,178
Repurchase of common stock	(31,085)	(27,648)	(12,308)
Investments from non-controlling interests	—	—	4,939
Purchase of or distributions to non-controlling interests	(617)	(287)	(5)
Payment of earnout related to acquisition of CRTS, Inc.	—	(2,112)	—
Credit facility financing fees	(783)	(5,013)	—
Proceeds from notes payable	1,284	1,541	7,160
Principal payments on notes payable	—	(183)	(2,768)
Proceeds from line of credit	18,000	—	26,000
Payments on line of credit	(8,000)	—	—
Proceeds from long-term debt	—	385,500	983
Principal payments on long-term debt	(22,039)	(253,500)	(25,000)
Net cash provided by (used in) financing activities	(34,625)	98,892	179
Effect of exchange rate changes on cash	(7,083)	(9,527)	65
Net increase in cash and cash equivalents for the period	16,920	24,369	27,547
Cash and cash equivalents, beginning of period	158,045	133,676	106,129
Cash and cash equivalents, end of period	\$ 174,965	\$ 158,045	\$ 133,676

Supplemental disclosures of cash flow information:**Cash paid for:**

Interest	\$ 9,602	\$ 8,700	\$ 7,945
Net income taxes paid	12,594	11,630	18,456

The accompanying notes are an integral part of the consolidated financial statements.

AEGION CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Aegion Corporation is a global leader in infrastructure protection and maintenance, providing proprietary technologies and services to: (i) protect against the corrosion of industrial pipelines; (ii) rehabilitate and strengthen water, wastewater, energy and mining piping systems and buildings, bridges, tunnels and waterfront structures; and (iii) utilize integrated professional services in engineering, procurement, construction, maintenance and turnaround services for a broad range of energy related industries. The Company's business activities include manufacturing, distribution, maintenance, construction, installation, coating and insulation, cathodic protection, research and development and licensing. The Company's acquisition of Brinderson, L.P. and related entities ("Brinderson") on July 1, 2013 opened new markets for the Company through the maintenance, engineering and construction services for downstream and upstream facilities in the North American oil and gas market. The Company's products and services are currently utilized and performed in more than 80 countries across six continents. The Company believes that the depth and breadth of its products and services platform make Aegion a leading "one-stop" provider for the world's infrastructure rehabilitation and protection needs.

The Company is primarily built on the premise that it is possible to use technology to extend the structural design life and maintain, if not improve, the performance of infrastructure, mostly pipe. The Company is proving that this expertise can be applied in a variety of markets to protect pipelines in oil, gas, mining, wastewater and water applications and extending this to the rehabilitation and maintenance of commercial structures and the provision of professional services in energy-related industries. Many types of infrastructure must be protected from the corrosive and abrasive materials that pass through or near them. The Company's expertise in non-disruptive corrosion engineering and abrasion protection is now wide-ranging, opening new markets for growth. The Company has a long history of product development and intellectual property management. The Company manufactures most of the engineered solutions it creates as well as the specialized equipment required to install them. Finally, decades of experience give the Company an advantage in understanding municipal, energy, mining, industrial and commercial customers. Strong customer relationships and brand recognition allow the Company to support the expansion of existing and innovative technologies into new high growth end markets.

The Company originally incorporated in Delaware in 1980 to act as the exclusive United States licensee of the Insituform[®] cured-in-place pipe ("CIPP") process, which Insituform's founder invented in 1971. The Insituform[®] CIPP process served as the first trenchless technology for rehabilitating sewer pipelines and has enabled municipalities and private industry to avoid the extraordinary expense and extreme disruption that can result from conventional "dig-and-replace" methods. For the past 40 years, the Company has maintained its leadership position in the CIPP market from manufacturing to technological innovations and market share.

In order to strengthen the Company's ability to service the emerging demands of the infrastructure protection market and to better position the Company for sustainable growth, the Company embarked on a diversification strategy in 2009 to expand its product and service portfolio and its geographical reach. Through a series of strategic initiatives and key acquisitions, the Company now possesses a broad portfolio of cost-effective solutions for rehabilitating and maintaining aging or deteriorating infrastructure, protecting new infrastructure from corrosion worldwide and providing integrated professional services in engineering, procurement, construction, maintenance, and turnaround services for upstream and downstream oil companies.

Recognizing that the breadth of our offerings expanded beyond our flagship Insituform[®] brand, which constituted less than half of our revenue in 2011, we reorganized Insituform Technologies, Inc. ("Insituform"), our parent company at the time, into a new holding company structure in October 2011. Aegion became the new parent company and Insituform became a wholly owned subsidiary of Aegion. Aegion reflects our mission of extending our leadership capabilities to furnish products and services to provide long-term protection for water and wastewater pipes, oil and gas pipelines and infrastructure as well as commercial and governmental structures and transportation infrastructure.

Acquisitions/Strategic Initiatives/Divestitures

Infrastructure Solutions Segment

On October 6, 2014, the Company's board of directors approved a realignment and restructuring plan (the "2014 Restructuring Plan") which included the decision to exit Insituform's contracting markets in France, Switzerland, India, Hong Kong, Malaysia and Singapore (see Note 3). This decision was made taking into account market size, bid table consistency, supportive governmental bid process, length of cash collection cycles and operating results in each country. Activities with respect to Insituform's contracting operations in India, Hong Kong, Malaysia and Singapore are expected to be concluded by the end of the third quarter of 2015 as Insituform completes existing backlog in the affected countries. See further discussion in Note 2 as to the impact that the 2014 Restructuring Plan had on the Europe and Asia-Pacific goodwill reporting units.

In December 2014, the Company sold its wholly-owned subsidiary, Ka-te Insituform AG (“Ka-te”), to the Marco Daetwyler Gruppe AG, a Swiss company, for the sale price of CHF 1.1 million (approximately \$1.1 million). In connection with the sale, the Company entered into a five-year exclusive tube supply agreement whereby Ka-te will source all of its liners from Insituform Linings Ltd. Ka-te will also be entitled to continue to use its trade name based on a trade mark license granted for the same five-year time period.

In June 2013, the Company sold its fifty percent (50%) interest in Insituform Rohrsanierungstechniken GmbH (“Insituform-Germany”) to Per Aarsleff A/S, a Danish company (“Aarsleff”). Insituform-Germany, a company that was jointly owned by Aegion and Aarsleff, is active in the business of no-dig pipe rehabilitation in Germany, Slovakia and Hungary. The sale price was €14 million, approximately \$18.3 million. The sale resulted in a gain on the sale of approximately \$11.3 million (net of \$0.5 million of transaction expenses) recorded in other income (expense) on the consolidated statement of operations. In connection with the sale, Insituform-Germany also entered into a tube supply agreement with the Company whereby Insituform-Germany will purchase on an annual basis at least GBP 2.3 million, approximately \$3.6 million, of felt cured-in-place pipe (“CIPP”) liners during the two-year period from June 26, 2013 to June 30, 2015.

In April 2012, the Company purchased Fyfe Group LLC’s Asian operations (“Fyfe Asia”), which included all of the equity interests of Fyfe Asia Pte. Ltd, a Singaporean entity (and its interest in two joint ventures located in Borneo and Indonesia), Fyfe (Hong Kong) Limited, Fibrwrap Construction (M) Sdn Bhd, a Malaysian entity, Fyfe Japan Co. Ltd., a Japanese entity, and Fibrwrap Construction Pte. Ltd and Technologies & Art Pte. Ltd., Singaporean entities. Customers in India and China are served through a product supply and license arrangement. Fyfe Asia provides Fibrwrap[®] installation services throughout Asia, as well as provides product and engineering support to installers and applicators of fiber reinforced polymer systems in Asia. The cash purchase price at closing was \$40.7 million. The purchase price was funded out of the Company’s cash balances and by borrowing \$18.0 million against the Company’s line of credit.

In January 2012, the Company purchased Fyfe Group LLC’s Latin American operations (“Fyfe LA”), which included all of the equity interests of Fyfe Latin America S.A., a Panamanian entity (and its interest in various joint ventures located in Peru, Costa Rica, Chile and Colombia), Fyfe – Latin America S.A. de C.V., an El Salvadorian entity, and Fibrwrap Construction Latin America S.A., a Panamanian entity. Fyfe LA provides Fibrwrap[®] installation services throughout Latin America, as well as product and engineering support to installers and applicators of fiber reinforced polymer systems in Latin America. The cash purchase price at closing was \$2.3 million and funded out of the Company’s cash balances. During the first quarter of 2012, the Company paid the sellers an additional \$1.1 million based on a preliminary working capital adjustment. An annual payout can be earned based on the achievement of certain performance targets in each year over the three-year period ending December 31, 2014. No annual payout was earned as the performance targets were not met. As of December 31, 2013, the Company calculated the fair value of the contingent consideration arrangement to be zero, which is based on Level 3 inputs as defined in Note 11.

Corrosion Protection Segment

As part of the 2014 Restructuring Plan, the Company made the decision to shutter two older and redundant fusion bonded epoxy coating plants and consolidate and terminate certain land leases at The Bayou Companies, LLC’s (“Bayou”) Louisiana facility. The actions taken to restructure Bayou’s Louisiana operations allow Bayou to cost effectively meet market demand, for both onshore and offshore projects, by optimizing pipe coating activities and reducing fixed costs. The repositioning of Bayou’s Louisiana facility will also include additional capital investments in the remaining coating facilities over the next two to three years to augment Bayou’s competitive position. See further discussion in Note 2 as to the impact that the 2014 Restructuring Plan had on Bayou’s goodwill reporting unit.

On March 31, 2014, the Company sold its forty-nine percent (49%) interest in Bayou Coating, L.L.C. (“Bayou Coating”) to Stupp Brothers Inc. (“Stupp”), the holder of the remaining fifty-one percent (51%) interest in Bayou Coating. Stupp purchased the interest by exercising an existing option to acquire the Company’s interest in Bayou Coating at a purchase price equal to \$9.1 million, which represented forty-nine percent (49%) of the book value of Bayou Coating as of December 31, 2013. Such book value was determined in accordance with the requirements of the joint venture agreement and was based on Bayou Coating’s federal information tax return for 2013 and approximated the Company’s book value of its investment in Bayou Coating as of December 31, 2013. The Company had previously received an indication from Stupp of its intent to exercise such option and, in the second quarter of 2013 in connection with such indication, the Company recognized a non-cash charge of \$2.7 million (\$1.8 million post-tax) related to the goodwill allocated to the joint venture as part of the purchase price accounting associated with the 2009 acquisition of Bayou. The non-cash charge represented the Company’s then current estimate of the difference between the carrying value of the investment on the balance sheet and the amount the Company would receive in connection with the exercise. During the first quarter of 2014, the difference between the Company’s recorded gross equity in earnings of affiliated companies of approximately \$1.2 million and the final equity distribution settlement of \$0.7 million resulted in a loss of approximately \$0.5 million that is recorded in other income (expense) on the consolidated statement of operations.

Prior to March 2014, the Company held a fifty-nine percent (59%) equity interest in Delta Double Jointing, LLC (“Bayou Delta”) through which the Company offers pipe jointing and other services for the steel-coated pipe industry. The remaining forty-one percent (41%) was held by Bayou Coating. On March 31, 2014, the Company acquired this forty-one percent (41%) interest from Bayou Coating by exercising its existing option at a purchase price equal to \$0.6 million. As a result, Bayou Delta is now a wholly owned subsidiary of the Company.

During the second quarter of 2013, the Company’s Board of Directors approved a plan of liquidation for its Bayou Welding Works (“BWW”) business in an effort to improve the Company’s overall financial performance and align the operations with its long-term strategic initiatives. BWW provided specialty welding and fabrication services from its facility in New Iberia, Louisiana. Financial results for BWW were part of the Company’s Energy and Mining segment for financial reporting purposes. BWW ceased bidding new work and substantially completed all ongoing projects during the second quarter of 2013. As a result of the closure of BWW, Aegion recognized a pre-tax, non-cash charge of approximately \$3.9 million (\$2.4 million after-tax, or \$0.06 per diluted share) to reflect the impairment of goodwill and intangible assets. The Company also recognized additional non-cash impairment charges for equipment and other assets of approximately \$1.1 million on a pre-tax basis (\$0.7 million on an after-tax basis, or \$0.02 per diluted share), which also was recorded in the second quarter of 2013. The Company also incurred cash charges to exit the business of approximately \$0.1 million on a pre-tax and post-tax basis, which included property, equipment and vehicle lease termination and buyout costs, employee termination benefits and retention incentives, among other ancillary shut-down expenses. During the fourth quarter of 2014, the Company completed final liquidation of BWW. Included within the final liquidation was the settlement of outstanding receivables with a single customer associated with a larger fabrication project. The Company also incurred cash charges of \$1.4 million related to certain professional fees incurred during dissolution as well as in connection with the settlement discussed above. This resulted in a recorded pre-tax charge of approximately \$6.0 million within discontinued operations.

In March 2012, the Company organized United Special Technical Services LLC (“USTS”), a joint venture located in the Sultanate of Oman between United Pipeline Systems and Special Technical Services LLC, an Omani company (“STS”), for the purpose of executing pipeline, piping and flow line high-density polyethylene lining services throughout the Middle East and Northern Africa. The Company holds a fifty-one percent (51%) equity interest in USTS and STS holds the remaining forty-nine percent (49%) equity interest. USTS initiated operations in the second quarter of 2012.

Energy Services Segment

On July 1, 2013, the Company acquired the equity interests of Brinderson, L.P., a California limited partnership, General Energy Services, a California corporation, and Brinderson Constructors, Inc., a California corporation (collectively, “Brinderson”). The transaction purchase price was \$150.0 million, which resulted in a cash purchase price at closing of \$147.6 million after preliminary working capital adjustments and an adjustment to account for cash held in the business at closing. The transaction was funded by borrowings under the Company’s \$650.0 million senior secured credit facility as discussed in Note 6. During the fourth quarter of 2014, the Company finalized the settlement of negotiated working capital for the Brinderson acquisition as well as escrow claims made pursuant to the purchase agreement. As a result of the settlement, the Company received proceeds of approximately \$5.5 million, \$1.0 million of which was recorded as a purchase price adjustment related to working capital and the remaining \$4.5 million was recorded as an offset to operating expense in the Consolidated Statement of Operations.

Brinderson is a leading integrated service provider of maintenance, construction, engineering and turnaround activities for the upstream and downstream oil and gas markets. Primarily focused on serving large oil and gas customers in California, Brinderson’s competitive advantages include its industry-leading safety record, a strong reputation for reliability and quality and comprehensive solutions needed for upstream oil field and downstream major refinery maintenance, repairs and retrofits. These core competencies position Brinderson to meet the growing demand for non-discretionary operating and maintenance expenditures.

Purchase Price Accounting

The Company accounts for its acquisitions in accordance with FASB ASC 805, *Business Combinations*. The Company records definite-lived intangible assets at their determined fair value related to customer relationships, backlog, trade names and trademarks and patents and other acquired technologies. Acquisitions generally result in goodwill related to purchase price, assembled workforce, growth opportunities and market potential. The goodwill associated with the Brinderson acquisition is deductible for tax purposes. During 2014, certain pre-acquisition matters were identified by the Company where a loss is both probable and reasonably estimable. Accordingly, the Company increased recorded goodwill by \$14.5 million. During the fourth quarter of 2014, a final working capital settlement was reached and resulted in a \$1.0 million reduction to the purchase price.

The Brinderson acquisition made the following contributions to the Company's revenues and profits (in thousands):

	Years Ended December 31,	
	2014	2013
Revenues	\$ 305,807	\$ 108,233
Net income ⁽¹⁾	13,310	4,838

⁽¹⁾ Net income includes an allocation of corporate expenses that is not necessarily an indication of the entity's operations on a stand alone basis.

The following unaudited pro forma summary presents combined information of the Company as if the Brinderson acquisition had occurred at the beginning of the year preceding its acquisition (in thousands):

	2013
Revenues	\$ 1,199,653
Net income ⁽¹⁾	50,384

⁽¹⁾ Includes pro-forma adjustments for purchase price depreciation and amortization as if those intangibles were recorded as of January 1 of the year preceding the respective acquisition date.

The transaction purchase price to acquire Brinderson was \$150.0 million, which included a cash purchase price at closing of \$147.6 million after preliminary working capital adjustments and an adjustment to account for cash held in the business at closing. The final working capital settlement with the previous owners resulted in a \$1.0 million reduction in purchase price for a final purchase price of \$146.6 million.

The following table summarizes the fair value of identified assets and liabilities of the Brinderson acquisition at its acquisition date (in thousands):

	Brinderson
Cash	\$ 3,842
Receivables and cost and estimated earnings in excess of billings	28,353
Prepaid expenses and other current assets	655
Property, plant and equipment	6,848
Identified intangible assets	60,210
Other assets	1,071
Accounts payable, accrued expenses and billings in excess of cost and estimated earnings	(30,622)
Total identifiable net assets	<u>\$ 70,357</u>
Total consideration	\$ 146,605
Less: total identifiable net assets	70,357
Goodwill at December 31, 2014	<u>\$ 76,248</u>

The following adjustment was made during the fourth quarter of 2014 relative to the acquisition of Brinderson as the Company completed its purchase price accounting (in thousands):

	Brinderson
Goodwill at December 31, 2013	\$ 77,248
Decrease in goodwill related to working capital adjustment	(1,000)
Goodwill at December 31, 2014	<u>\$ 76,248</u>

During the second quarter of 2014, and in connection with the 2012 acquisition of Fyfe Group LLC’s Asian operations (“Fyfe Asia”), the Company agreed to a working capital settlement with the previous owners, which increased the purchase price and related goodwill by \$1.1 million for a final purchase price of \$21.1 million (in thousands):

	Fyfe Asia
Goodwill at December 31, 2013	\$ 20,008
Increase in goodwill related to working capital adjustment	1,098
Goodwill at December 31, 2014	<u>\$ 21,106</u>

2. ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and majority-owned subsidiaries in which the Company is deemed to be the primary beneficiary. All significant intercompany transactions and balances have been eliminated. Additionally, certain prior year amounts have been reclassified to conform to the current year presentation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

For the Company’s international subsidiaries, the local currency is generally the functional currency. Assets and liabilities of these subsidiaries are translated into U.S. dollars using rates in effect at the balance sheet date while revenues and expenses are translated into U.S. dollars using average exchange rates. The cumulative translation adjustment resulting from changes in exchange rates are included in the consolidated balance sheets as a component of accumulated other comprehensive income (loss) in total stockholders’ equity. Net foreign exchange transaction gains (losses) are included in other income (expense) in the Consolidated Statements of Operations. Due to the strengthening of the U.S. Dollar, there was a substantial decrease with respect to certain functional currencies and their relation to the U.S. Dollar during the third and fourth quarters of 2014, most notably the Canadian Dollar, British Pound and Euro.

The Company’s accumulated other comprehensive income is comprised of three main components: (i) currency translation; (ii) derivatives; and (iii) gains and losses associated with the Company’s defined benefit plan in the United Kingdom.

As of December 31, 2014 and 2013, the Company had \$(23.4) million and \$0.6 million, respectively, related to currency translation adjustments, \$(0.7) million and \$1.2 million, respectively, related to derivative transactions and \$(0.5) million and \$0.2 million, respectively, related to pension activity in accumulated other comprehensive income.

Research and Development

The Company expenses research and development costs as incurred. Research and development costs of \$2.6 million, \$2.6 million and \$1.8 million for the years ended December 31, 2014, 2013 and 2012, respectively, are included in operating expenses in the accompanying consolidated statements of income.

Taxation

The Company provides for estimated income taxes payable or refundable on current year income tax returns as well as the estimated future tax effects attributable to temporary differences and carryforwards, based upon enacted tax laws and tax rates, and in accordance with FASB ASC 740, *Income Taxes* (“FASB ASC 740”). FASB ASC 740 also requires that a valuation allowance be recorded against any deferred tax assets that are not likely to be realized in the future. Refer to Note 9 for additional information regarding taxes on income.

Equity-Based Compensation

The Company records expense for equity-based compensation awards, including restricted shares of common stock, performance awards, stock options and stock units based on the fair value recognition provisions contained in FASB ASC 718, *Compensation – Stock Compensation* (“FASB ASC 718”). The Company records the expense using a straight-line basis over the vesting period of the award. Fair value of stock option awards is determined using an option pricing model. Assumptions regarding volatility, expected term, dividend yield and risk-free rate are required for valuation of stock option awards.

Volatility and expected term assumptions are based on the Company's historical experience. The risk-free rate is based on a U.S. Treasury note with a maturity similar to the option award's expected term. Fair value of restricted stock, restricted stock unit and deferred stock unit awards is determined using the Company's closing stock price on the award date. The shares of restricted stock and restricted stock units that are awarded are subject to performance and/or service restrictions. The Company makes forfeiture rate assumptions in connection with the valuation of restricted stock and restricted stock unit awards that could be different than actual experience. During 2012, the Company introduced three-year performance based stock unit awards for a number of its key employees. These awards are subject to performance and service restrictions. The awards contain financial targets for each year in the three-year performance period as well as cumulative totals. These awards have a threshold, target and maximum amount of shares that can be awarded based on the Company's financial results for each year and cumulative three-year period. The awards allow an employee to earn back a portion of the shares that were unearned in a prior year, if cumulative performance targets are met. Discussion of the Company's application of FASB ASC 718 is described in Note 8.

Revenues

Revenues include construction, engineering and installation revenues that are recognized using the percentage-of-completion method of accounting in the ratio of costs incurred to estimated final costs. Revenues from change orders, extra work and variations in the scope of work are recognized when it is probable that they will result in additional contract revenue and when the amount can be reliably estimated. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and equipment costs. The Company expenses all pre-contract costs in the period these costs are incurred. Since the financial reporting of these contracts depends on estimates, which are assessed continually during the term of these contracts, recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known. If material, the effects of any changes in estimates are disclosed in the notes to the consolidated financial statements. When estimates indicate that a loss will be incurred on a contract, a provision for the expected loss is recorded in the period in which the loss becomes evident. Any revenue recognized is only to the extent costs have been recognized in the period. Additionally, the Company expenses all costs for unpriced change orders in the period in which they are incurred.

Revenues from Brinderson are derived mainly from multiple engineering and construction type contracts, as well as maintenance contracts, under multi-year long-term Master Service Agreements and alliance contracts. Brinderson enters into contracts with its customers that contain three principal types of pricing provisions: time and materials, cost plus fixed fee and fixed price. Although the terms of these contracts vary, most are made pursuant to cost reimbursable contracts on a time and materials basis under which revenues are recorded based on costs incurred at agreed upon contractual rates. Brinderson also performs services on a cost plus fixed fee basis under which revenues are recorded based upon costs incurred at agreed upon rates and a proportionate amount of the fixed fee or percentage stipulated in the contract.

Earnings per Share

Earnings per share have been calculated using the following share information:

	2014	2013	2012
Weighted average number of common shares used for basic EPS	37,651,492	38,692,658	39,222,737
Effect of dilutive stock options and restricted and deferred stock unit awards	—	389,684	313,654
Weighted average number of common shares and dilutive potential common stock used in dilutive EPS	37,651,492	39,082,342	39,536,391

The Company excluded 318,059 stock options and restricted and deferred stock units in 2014 from the diluted earnings per share calculation for the Company's common stock because of the reported net loss for the period. The Company excluded 164,014, 318,026 and 223,536 stock options in 2014, 2013 and 2012, respectively, from the diluted earnings per share calculations for the Company's common stock because they were anti-dilutive as their exercise prices were greater than the average market price of common shares for each period.

Classification of Current Assets and Current Liabilities

The Company includes in current assets and current liabilities certain amounts realizable and payable under construction contracts that may extend beyond one year. The construction periods on projects undertaken by the Company generally range from less than one month to 24 months.

Cash, Cash Equivalents and Restricted Cash

The Company classifies highly liquid investments with original maturities of 90 days or less as cash equivalents. Recorded book values are reasonable estimates of fair value for cash and cash equivalents. Restricted cash primarily consists of funds reserved for legal requirements, payments from certain customers placed in escrow in lieu of retention in case of potential

issues regarding future job performance by the Company, or advance customer payments and compensating balances for bank undertakings in Europe. Restricted cash related to operations is similar to retainage and is therefore classified as a current asset, consistent with the Company's policy on retainage. Changes in restricted cash flows are reported in the consolidated statements of cash flows based on the nature of the restriction.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Actual cost is used to value raw materials and supplies. Standard cost, which approximates actual cost, is used to value work-in-process, finished goods and construction materials. Standard cost includes direct labor, raw materials and manufacturing overhead based on normal capacity. For certain businesses within our Corrosion Protection segment, the Company uses actual costs or average costs for all classes of inventory.

Retainage

Many of the contracts under which the Company performs work contain retainage provisions. Retainage refers to that portion of revenue earned by the Company but held for payment by the customer pending satisfactory completion of the project. The Company generally invoices its customers periodically as work is completed. Under ordinary circumstances, collection from municipalities is made within 60 to 90 days of billing. In most cases, 5% to 15% of the contract value is withheld by the municipal owner pending satisfactory completion of the project. Collections from other customers are generally made within 30 to 45 days of billing. Unless reserved, the Company believes that all amounts retained by customers under such provisions are fully collectible. Retainage on active contracts is classified as a current asset regardless of the term of the contract. Retainage is generally collected within one year of the completion of a contract, although collection can extend beyond one year from time to time. As of December 31, 2014, retainage receivables aged greater than 365 days approximated 10% of the total retainage balance and collectibility was assessed as described in the allowance for doubtful accounts section below.

Allowance for Doubtful Accounts

Management makes estimates of the uncollectibility of accounts receivable and retainage. The Company records an allowance based on specific accounts to reduce receivables, including retainage, to the amount that is expected to be collected. The specific allowances are reevaluated and adjusted as additional information is received. After all reasonable attempts to collect the receivable or retainage have been explored, the account is written off against the allowance. The Company also includes reserves related to certain accounts receivable that may be in litigation or dispute.

Long-Lived Assets

Property, plant and equipment and other identified intangibles (primarily customer relationships, patents and acquired technologies, trademarks, licenses, contract backlog and non-compete agreements) are recorded at cost, net of accumulated depreciation and impairment, and, except for goodwill and certain trademarks, are depreciated or amortized on a straight-line basis over their estimated useful lives. Changes in circumstances such as technological advances, changes to the Company's business model or changes in the Company's capital strategy can result in the actual useful lives differing from the Company's estimates. If the Company determines that the useful life of its property, plant and equipment or its identified intangible assets should be changed, the Company would depreciate or amortize the net book value in excess of the salvage value over its revised remaining useful life, thereby increasing or decreasing depreciation or amortization expense.

Long-lived assets, including property, plant and equipment and other intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such impairment tests are based on a comparison of undiscounted cash flows to the recorded value of the asset. The estimate of cash flow is based upon, among other things, assumptions about expected future operating performance. The Company's estimates of undiscounted cash flow may differ from actual cash flow due to, among other things, technological changes, economic conditions, changes to its business model or changes in its operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset.

Impairment Review - September 30, 2014

As part of the 2014 Restructuring Plan, the Company evaluated the long-lived assets of its global operations affected by the restructuring initiative. The affected reporting units were (i) the Bayou reporting unit ("Bayou Reporting Unit"); (ii) the European Sewer and Water Rehabilitation ("Europe") reporting unit; and (iii) the Asia-Pacific Sewer and Water Rehabilitation ("Asia-Pacific") reporting unit. The results of the Bayou Reporting Unit and its related asset groups are reported within the Corrosion Protection reportable segment. The results of Europe and Asia-Pacific and their related asset groups are reported within the Infrastructure Solutions reportable segment.

In the early stages of the evaluation process, the Company reviewed the financial performance of all at risk asset groups within each affected reporting unit. Due to the ongoing weak economic conditions and weak economic outlook for certain at risk asset groups, the Company decided to no longer focus on the possible growth opportunities within these businesses; therefore, the Company would no longer provide cash flow or operational support to these businesses. This decision was deemed a significant adverse change in the extent or manner in which the asset is currently being used, and as such, the Company performed an asset impairment review as of September 30, 2014 for all of its at risk asset groups within each of the affected reporting units in accordance with ASC 360, *Property, Plant and Equipment* (“FASB ASC 360”).

The assets of each asset group represent the lowest level for which identifiable cash flows can be determined independent of other groups of assets and liabilities. The Company developed internal forward business plans under the guidance of local and regional leadership to determine the undiscounted expected future cash flows derived from each of the at risk asset groups’ long-lived assets. Such were based on management’s best estimates considering the likelihood of various outcomes. Based on the internal projections, the Company determined that the undiscounted expected future cash flows for all of the identified at risk asset groups were less than the carrying value of the assets, and as a result, engaged a third-party valuation firm to assist in determining the fair value of long-lived assets at these at risk asset groups.

In order to determine the impairment amount of long-lived assets, the Company first determined the fair value of each key component of its long-lived assets at each asset group. For property and equipment, the Company primarily utilized the cost and market approaches, which involved the use of significant estimates and assumptions such as salvage and scrap market data and producer price indices. The Company also considered functional and economic obsolescence related to the business and the assets. Based upon the results of the analysis, the at risk asset groups with a fair value less than the carrying value of their respective assets included Bayou and Bayou Delta of the Bayou Reporting Unit; France of the Europe reporting unit; and Malaysia and India of the Asia-Pacific reporting unit. Accordingly, the Company recorded a total impairment charge of \$11.9 million in the third quarter of 2014, which consisted of \$10.9 million related to Bayou, \$0.4 million related to Bayou Delta, \$0.2 million related to France, \$0.3 million related to Malaysia and \$0.1 million related to India. The impairment charge was primarily recorded to cost of revenues in the Consolidated Statements of Operations.

Included within the impairment assessment were Bayou-related intangible assets such as tradenames and customer relationships that were also tested on an undiscounted cash flow basis. For customer relationships, the undiscounted expected future cash flows were less than the carrying value; thus, the Company engaged a third-party valuation firm to assist in determining the fair value of customer relationships recorded at Bayou. In order to determine the impairment amount of the customer relationships intangible asset, the Company calculated the fair value of the intangible based on the multi-period excess earnings method, which utilizes discounted cash flows to evaluate the net earnings attributable to the asset being measured. Key assumptions used in assessment include the discount rate (based on weighted-average cost of capital), revenue growth rates, contributory asset charges and working capital needs, which were based on current market conditions and were consistent with internal management projections.

Based on the results of the valuation, the carrying amount of the customer relationship intangible asset at Bayou exceeded the fair value and resulted in a full impairment as of September 30, 2014. Accordingly, the Company recorded a \$10.9 million impairment charge in the third quarter of 2014. The impairment charge was recorded to definite-lived intangible asset impairment in the Consolidated Statements of Operations.

Annual Impairment Assessment - October 1, 2014

As a result of the annual impairment assessment in accordance with FASB ASC 350, *Intangibles – Goodwill and Other* (“FASB ASC 350”), the Fyfe Rehabilitation (“Fyfe”) reporting unit had a fair value below its carrying value, which caused the Company to review the financial performance of all at risk asset groups within that reporting unit in accordance with FASB ASC 360. The results of Fyfe and its related asset groups are reported within the Infrastructure Solutions reportable segment.

The assets of each asset group represent the lowest level for which identifiable cash flows can be determined independent of other groups of assets and liabilities. The Company developed internal forward business plans under the guidance of local and regional leadership to determine the undiscounted expected future cash flows derived from each of the at risk asset groups’ long-lived assets. Such were based on management’s best estimates considering the likelihood of various outcomes. Based on internal cash flow projections, the Company determined that the undiscounted expected future cash flows for the Fyfe Latin America asset group was less than the carrying value of its assets, and as a result, engaged a third-party valuation firm to assist in determining the fair value of long-lived assets at this at risk asset group, which primarily consisted of a customer relationship intangible asset. In order to determine the impairment amount of the customer relationships intangible asset, the Company calculated the fair value of the intangible based on the multi-period excess earnings method, which utilizes discounted cash flows to evaluate the net earnings attributable to the asset being measured. Key assumptions used in assessment include the discount rate (based on weighted-average cost of capital), revenue growth rates, contributory asset charges and working capital needs, which were based on current market conditions and were consistent with internal management projections.

Based on the results of the valuation, the carrying amount of the customer relationship intangible asset at Fyfe Latin America exceeded the fair value and resulted in a \$1.2 million impairment charge in the fourth quarter of 2014. The impairment charge was recorded to definite-lived intangible asset impairment in the Consolidated Statements of Operations.

Impairment Review - December 31, 2014

During the fourth quarter of 2014, certain reporting units operating in the energy sector experienced customer-driven delays, work order cancellations, and canceled sales opportunities as a result of declining crude oil prices since October 2014. As a result, the Company evaluated the long-lived assets of its operations affected by these circumstances and determined that a significant adverse change had occurred in the extent or manner in which these assets are currently being used. As such, the Company performed an asset impairment review as of December 31, 2014, in accordance with FASB ASC 360, for all of its at risk asset groups within the CRTS and Bayou Reporting Units. The results of these reporting units and their related asset groups are reported within the Corrosion Protection reportable segment.

The assets of each asset group represent the lowest level for which identifiable cash flows can be determined independent of other groups of assets and liabilities. The Company developed internal forward business plans under the guidance of local and regional leadership to determine the undiscounted expected future cash flows derived from each of the at risk asset groups' long-lived assets. Such were based on management's best estimates considering the likelihood of various outcomes. Based on the internal projections, the Company determined that the undiscounted expected future cash flows for all of the identified at risk asset groups exceeded the carrying value of the assets, and as such, no impairment to recorded long-lived assets was required.

The fair value estimates described above were determined using observable inputs and significant unobservable inputs, which are based on level 3 inputs as defined in Note 11.

Goodwill

Under FASB ASC 350, the Company assesses recoverability of goodwill on an annual basis or when events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. An impairment charge will be recognized to the extent that the implied fair value of a reporting unit is less than its carrying value. Factors that could potentially trigger an impairment review include (but are not limited to):

- significant underperformance of a segment relative to expected, historical or forecasted operating results;
- significant negative industry or economic trends;
- significant changes in the strategy for a segment including extended slowdowns in the segment's market;
- a decrease in market capitalization below the Company's book value; and
- a significant change in regulations.

Whether during the annual impairment assessment or during a trigger-based impairment review, the Company determines the fair value of its reporting units and compares such fair value to the carrying value of those reporting units to determine if there are any indications of goodwill impairment.

Fair value of reporting units is determined using a combination of two valuation methods: a market approach and an income approach with each method given equal weight in determining the fair value assigned to each reporting unit. Absent an indication of fair value from a potential buyer or similar specific transaction, the Company believes the use of these two methods provides a reasonable estimate of a reporting unit's fair value. Assumptions common to both methods are operating plans and economic outlooks, which are used to forecast future revenues, earnings and after-tax cash flows for each reporting unit. These assumptions are applied consistently for both methods.

The market approach estimates fair value by first determining earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples for comparable publicly-traded companies with similar characteristics of the reporting unit. The EBITDA multiples for comparable companies are based upon current enterprise value. The enterprise value is based upon current market capitalization and includes a control premium. The Company believes this approach is appropriate because it provides a fair value estimate using multiples from entities with operations and economic characteristics comparable to its reporting units.

The income approach is based on forecasted future (debt-free) cash flows that are discounted to present value using factors that consider timing and risk of future cash flows. The Company believes this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash flow performance. Discounted cash flow projections are based on financial forecasts developed from operating plans and economic outlooks, growth rates, estimates of future expected changes in operating margins, terminal value growth rates, future capital expenditures and changes in working capital requirements. Estimates of discounted cash flows may differ from actual cash flows due to, among other things,

changes in economic conditions, changes to business models, changes in the Company's weighted average cost of capital, or changes in operating performance.

The discount rate applied to the estimated future cash flows is one of the most significant assumptions utilized under the income approach. The Company determines the appropriate discount rate for each of its reporting units based on the weighted average cost of capital ("WACC") for each individual reporting unit. The WACC takes into account both the pre-tax cost of debt and cost of equity (a major component of the cost of equity is the current risk-free rate on twenty year U.S. Treasury bonds). As each reporting unit has a different risk profile based on the nature of its operations, including market-based factors, the WACC for each reporting unit may differ. Accordingly, the WACCs are adjusted, as appropriate, to account for company-specific risks associated with each reporting unit.

Impairment Review - September 30, 2014

As a result of the 2014 Restructuring Plan, the Company evaluated the goodwill of its global operations affected by the restructuring initiative and determined that a triggering event had occurred. As such, the Company performed a goodwill impairment review for each affected reporting unit as of September 30, 2014. The Company's reporting units adversely affected by the 2014 Restructuring Plan were Bayou, Europe and Asia-Pacific. In accordance with the provisions of FASB ASC 350, the Company determined the fair value of its reporting units and compared such fair value to the carrying value of those reporting units. For all three reporting units, fair value exceeded carrying value, and as such, no impairment to recorded goodwill was required.

Significant assumptions used in the Company's goodwill review included: (i) discount rates ranging from 13.0% to 16.5%; (ii) annual revenue growth rates generally ranging from 2% to 7%; (iii) sustained or slightly increased gross margins; (iv) peer group EBITDA multiples; and (v) terminal values for each reporting unit using a long-term growth rate of 2.5% to 3.0%. If actual results differ from estimates used in these calculations, the Company could incur future impairment charges.

For the Bayou reporting unit, the excess of fair value in relation to its carrying value was 10.2%. The values derived from both the income approach and market approach decreased from the October 1, 2013 analysis; however, the fair value in relation to its carrying value improved from the prior year due to a decrease in carrying value as of the valuation dates. During the first nine months of 2014, the carrying value of the Bayou reporting unit was lowered due to the sale of its interest in Bayou Coating as described in Note 1 and the impairment of tangible and intangibles assets described above. The fair value for the Bayou reporting unit decreased \$48.0 million, or 30.9%, from the prior year analysis due to the suspension of a material contract, a lack of project activity available in the Gulf of Mexico market and customer-driven project delays. The impairment analysis assumed a weighted average cost of capital of 13.5% and a long-term growth rate of 3%. The analysis also included an annual revenue growth rate of approximately 5% which was modestly higher than the prior year actual results, but at a level that is below the reporting unit's five-year average. Projected cash flows anticipate a modest recovery in the Gulf of Mexico market beginning in 2015. The Company noted improved visibility into larger bidding opportunities for deep water drilling activities in the Gulf of Mexico; however, there is a significant lead time from drilling to the point of building the pipeline infrastructure, or gather lines, to bring oil and natural gas onshore for refinement. This extended lead time creates added uncertainty and could have a material negative impact on long-term projected cash flows. Additionally, projected cash flows related to the Bayou reporting unit's new insulation facility located in Louisiana are subject to final operational testing and largely dependent in 2015 and 2016 on a single, large customer with whom the Company has a long-standing history. The Bayou reporting unit's Canadian coating operation, while not as reliant on larger projects, is dependent upon overall increased project activity in order to realize the cash flow projections included in the impairment analysis. If any of these assumptions do not materialize in a manner consistent with the Company's expectations, there is risk of impairment to recorded goodwill.

For the Europe reporting unit, the excess of fair value in relation to its carrying value was 9.3%. The values derived from both the income approach and market approach decreased from the October 1, 2013 analysis, and the fair value in relation to its carrying value declined from the prior year due to exiting certain European operations. The fair value for Europe decreased \$8.2 million, or 9.5%, from the prior year analysis. The impairment analysis assumed a weighted average cost of capital of 14.0% and a long-term growth rate of 2.5%. The analysis also included an annual revenue growth rate of approximately 5% which is slightly below the prior year results and certain cost savings expected to be achieved through the 2014 Restructuring Plan. In addition, projected cash flows were also based, in part, on the successful closure or sale of the Insituform contacting operations in France and Switzerland. In December 2014, the Company sold the Switzerland operations. If any of these assumptions do not materialize in a manner consistent with the Company's expectations, there is risk of impairment to recorded goodwill.

For the Asia-Pacific reporting unit, the excess of fair value in relation to its carrying value was 12.1%. The values derived from both the income approach and market approach decreased from the October 1, 2013 analysis, and the fair value in relation to its carrying value declined from the prior year due to exiting certain Asia-Pacific operations, many of which were underperforming. The fair value for Asia-Pacific decreased \$18.0 million, or 36.4%, from the prior year analysis. The impairment analysis assumed a weighted average cost of capital of 14.0% and a long-term growth rate of 3.0%. The analysis

also included an annual revenue growth rate of approximately 5% for the remaining operations and certain cost savings expected to be achieved through the 2014 Restructuring Plan. In addition, projected cash flows were also based, in part, on the successful closure of the Insituform contracting operations in India, Hong Kong, Malaysia and Singapore. If any of these assumptions do not materialize in a manner consistent with the Company's expectations, there is risk of impairment to recorded goodwill.

The total value of goodwill recorded at September 30, 2014 for the Bayou, Europe and Asia-Pacific reporting units was \$29.7 million, \$20.4 million and \$5.3 million, respectively.

Annual Impairment Assessment - October 1, 2014

The Company had nine reporting units for purposes of assessing goodwill at October 1, 2014 as follows: North American Rehabilitation, Europe, Asia-Pacific, United Pipeline Systems, Bayou, Corpro, CRTS, Brinderson and Fyfe.

Significant assumptions used in our October 2014 goodwill review included: (i) discount rates ranging from 12.5% to 16.0%; (ii) annual revenue growth rates generally ranging from 1% to 20%; (iii) sustained or slightly increased gross margins; (iv) peer group EBITDA multiples; and (v) terminal values for each reporting unit using a long-term growth rate of 1.0% to 3.5%. If actual results differ from estimates used in these calculations, the Company could incur future impairment charges.

During the Company's assessment of its reporting units' fair values in relation to their respective carrying values, four reporting units had a fair value in excess of 30% of their carrying value, two reporting units had a fair value within 10% percent of their carrying value, and one had a fair value below its carrying value. The two reporting units with a fair value within 10% of their carrying value were the Europe and CRTS reporting units, which had fair values exceeding their carrying values by 9.3% and 2.5%, respectively. The one reporting unit with a fair value below its carrying value was the Fyfe reporting unit, which had a fair value less than its carrying value by 6.2%. The total value of goodwill recorded at the impairment testing date for the Europe, CRTS and Fyfe reporting units was \$20.4 million, \$20.1 million and \$66.5 million, respectively.

For the CRTS reporting unit, excess fair value in relation to its carrying value was 2.5%. The values derived from both the income approach and the market approach decreased from the October 1, 2013 annual goodwill impairment analysis, and the fair value in relation to its carrying value declined from the prior year due to reduced longer-term outlooks for higher-margin, international offshore markets. CRTS achieved healthy project wins during 2014; however, most were situated in international onshore and mining markets, which typically offer lower margin profiles. Management expects this trend to continue into the foreseeable future. The fair value for CRTS decreased \$3.8 million, or 6.8%, from the prior year analysis. The 2014 analysis assumed a weighted average cost of capital of 13.5%, compared 13.0% in 2013, and a long-term growth rate of 3.0%, which is consistent with the October 1, 2013 review. The income approach analysis also included an annual revenue growth rate of approximately 6.5%, which is higher than the prior year; however, average gross margins were approximately 150 basis points lower in 2014 due to the shift in expected project mix. See below for the trigger-based impairment review conducted as of December 31, 2014.

For the Fyfe reporting unit, fair value in relation to its carrying value was negative 6.2%. The values derived from both the income approach and the market approach decreased from the October 1, 2013 analysis, and the fair value in relation to its carrying value declined from the prior year due to lower longer-term expectations for the Fyfe businesses, primarily in North America, because recent investments in operational leadership and business development have yielded slower than expected growth. For the 2013 analysis, the Company assumed bidding activity would increase in 2014 and result in new contract wins that would commence in 2014 and 2015. While stability has been restored and improvements have been made in 2014, the ability to sustain new order intake and improve gross profits have not materialized as rapidly as expected. The fair value for Fyfe decreased \$40.1 million, or 20.7%, from the prior year analysis. The impairment analysis assumed a weighted average cost of capital of 16.0% and a long-term growth rate of 3.5%. The analysis also included an annual revenue growth rate of approximately 10%, due to the low revenue levels achieved in 2014. As a result of failing Step 1, the Company performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. In estimating the implied fair value of goodwill for a reporting unit, the Company assigns the fair value (as determined in Step 1) to the assets and liabilities associated with the reporting unit as if the reporting unit had been acquired in a business combination. Any excess of the carrying value of goodwill of the reporting unit over its implied fair value is recorded as impairment. Based on this analysis, the Company determined that recorded goodwill at Fyfe was impaired by \$16.1 million, which was recorded to "Goodwill impairment" in the Consolidated Statement of Operations in the fourth quarter of 2014. As of December 31, 2014, the Company had remaining Fyfe goodwill of \$50.2 million. Our future cash flows include increased revenue projections related to growth in the pipeline market, specifically industrial and municipal pipelines. Delays in our growth projections could have a material negative affect on Fyfe's projected long-term cash flows. Also included in the projected cash flows are certain cost savings expected to be achieved through the 2014 Restructuring Plan. If any of these assumptions do not materialize in a manner consistent with the Company's expectations, there is risk of impairment to recorded goodwill.

During the fourth quarter of 2014, certain reporting units operating in the energy sector experienced customer-driven delays, work order cancellations, and canceled sales opportunities as a result of declining crude oil prices since October 2014. The Company evaluated the goodwill of its operations affected by these circumstances and determined that a triggering event had occurred. As such, the Company performed a goodwill impairment review for its Bayou and CRTS reporting units as of December 31, 2014. In accordance with the provisions of FASB ASC 350, the Company determined the fair value of its affected reporting units and compared such fair value to the carrying value of those reporting units. For both reporting units, carrying value exceeded fair value.

For the Bayou reporting unit, fair value in relation to its carrying value was negative 9.5%. The values derived from the income approach and the market approach decreased 21.3% and 12.0%, respectively, from the September 30, 2014 goodwill impairment analysis. Current uncertainty in the upstream oil markets, which caused work order cancellations and canceled sales opportunities in North America for the Bayou Canada and CCSI asset groups, affected the Company's expected future cash flows in 2015 and 2016. The impairment analysis assumed a weighted average cost of capital of 13.5% and a long-term growth rate of 3.0%, which are both consistent with the September 30, 2014 review. The income approach analysis also included an annual revenue growth rate of approximately 4%, which was slightly lower than the 5% annual growth in the previous analysis. In addition, average gross margins were approximately 35 basis points lower in 2014 due to expected market contraction and lower plant utilization rates. As a result of failing Step 1, the Company performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. In estimating the implied fair value of goodwill for a reporting unit, the Company assigns the fair value (as determined in Step 1) to the assets and liabilities associated with the reporting unit as if the reporting unit had been acquired in a business combination. Any excess of the carrying value of goodwill of the reporting unit over its implied fair value is recorded as impairment. Based on this analysis, the Company determined that Bayou's goodwill was fully impaired; and as such, recorded a \$29.7 million charge to "Goodwill impairment" in the Consolidated Statement of Operations in 2014. As of December 31, 2014, there was no recorded goodwill at Bayou.

For the CRTS reporting unit, fair value in relation to its carrying value was negative 13.8%. The values derived from both the income approach and the market approach decreased from the October 1, 2014 annual goodwill impairment analysis due to current uncertainty in the upstream oil markets, which caused customer-driven delays in the more profitable international offshore pipeline market and delayed or canceled sales opportunities in certain North American markets. These adverse conditions affected the Company's expected future cash flows in 2015 and 2016. The fair value for CRTS decreased \$5.4 million, or 10.5%, from the previous analysis. The impairment analysis assumed a weighted average cost of capital of 13.5% and a long-term growth rate of 3.0%, which are both consistent with the October 1, 2014 review. The income approach analysis also included an annual revenue growth rate of approximately 3.8%, which is lower than the 6.5% growth rate assumed in the previous analysis. Expected gross margins were consistent between both analyses. As a result of failing Step 1, the Company performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. In estimating the implied fair value of goodwill for a reporting unit, the Company assigns the fair value (as determined in Step 1) to the assets and liabilities associated with the reporting unit as if the reporting unit had been acquired in a business combination. Any excess of the carrying value of goodwill of the reporting unit over its implied fair value is recorded as impairment. Based on this analysis, the Company determined that recorded goodwill at CRTS was impaired by \$5.7 million, which was recorded to "Goodwill impairment" in the Consolidated Statement of Operations in 2014. As of December 31, 2014, the Company had remaining CRTS goodwill of \$14.4 million. Projected cash flows were based, in part, on maintaining a presence in the higher-margin, international offshore pipeline market and the Company's ability to expand its technology to other applications. If these assumptions do not materialize in a manner consistent with Company's expectations, there is risk of impairment to recorded goodwill.

Investments in Affiliated Companies

On March 31, 2014, the Company sold its forty-nine percent (49%) interest in Bayou Coating to Stupp, the holder of the remaining fifty-one percent (51%) interest in Bayou Coating. Stupp purchased the interest by exercising an existing option to acquire the Company's interest in Bayou Coating at a purchase price equal to \$9.1 million. The Company had previously received an indication from Stupp of its intent to exercise such option and, in the second quarter of 2013 in connection with such indication, the Company recognized a non-cash charge of \$2.7 million (\$1.8 million post-tax) related to the goodwill allocated to the joint venture as part of the purchase price accounting associated with the 2009 acquisition of Bayou. The non-cash charge represented the Company's then current estimate of the difference between the carrying value of the investment on the balance sheet and the amount the Company would receive in connection with the exercise. During the first quarter of 2014, the difference between the Company's recorded gross equity in earnings of affiliated companies of approximately \$1.2 million and the final equity distribution settlement of \$0.7 million resulted in a loss of approximately \$0.5 million that is recorded in other income (expense) on the consolidated statement of operations.

Prior to March 2014, the Company held a fifty-nine percent (59%) equity interest in Bayou Delta through which the Company offers pipe jointing and other services for the steel-coated pipe industry. The remaining forty-one percent (41%) was

held by Bayou Coating. On March 31, 2014, the Company acquired this forty-one percent (41%) interest from Bayou Coating by exercising its existing option at a purchase price equal to \$0.6 million. As a result, Bayou Delta is now a wholly owned subsidiary of the Company.

In June 2013, the Company sold its fifty percent (50%) interest in Insituform-Germany to Aarsleff. Insituform-Germany, a company that was jointly owned by Aegion and Aarsleff, is active in the business of no-dig pipe rehabilitation in Germany, Slovakia and Hungary. The sale price was €14 million, approximately \$18.3 million. The sale resulted in a gain on the sale of approximately \$11.3 million (net of \$0.5 million of transaction expenses) recorded in other income (expense) on the consolidated statement of operations. In connection with the sale, Insituform-Germany also entered into a tube supply agreement with the Company whereby Insituform-Germany will purchase on an annual basis at least GBP 2.3 million, approximately \$3.6 million, of felt cured-in-place pipe (“CIPP”) liners during the two-year period from June 26, 2013 to June 30, 2015.

The Company, through its subsidiary, Insituform Technologies Netherlands BV, owns a forty-nine percent (49%) equity interest in WCU Corrosion Technologies Pte. Ltd. (“WCU”). WCU offers the Company’s Tite Liner[®] process in the oil and gas sector and onshore corrosion services in Asia and Australia.

Investments in entities in which the Company does not have control or is not the primary beneficiary of a variable interest entity, and for which the Company has 20% to 50% ownership or has the ability to exert significant influence, are accounted for by the equity method. At December 31, 2014 and 2013, the investments in affiliated companies on the Company’s consolidated balance sheets were \$0.0 million and \$9.1 million, respectively.

Net income presented below for the years ended December 31, 2014 and 2013 includes Bayou Coating’s previously held forty-one percent (41%) interest in Bayou Delta, which is eliminated for purposes of determining the Company’s equity in earnings of affiliated companies because Bayou Delta is consolidated in the Company’s financial statements as a result of its additional ownership through another Company subsidiary.

The Company’s equity in earnings of affiliated companies for all periods presented below includes acquisition-related depreciation and amortization expense and is net of income taxes associated with these earnings. Financial data for these investments in affiliated companies at December 31, 2014 and 2013 and for each of the years in the three-year period ended December 31, 2014 are summarized in the following tables (in thousands):

Balance sheet data	December 31,		
	2014⁽¹⁾	2013⁽²⁾	
Current assets	\$ —	\$ 10,220	
Non-current assets	—	10,022	
Current liabilities	—	1,743	
Non-current liabilities	—	—	
Income statement data	2014⁽¹⁾	2013⁽²⁾	2012⁽²⁾
Revenue	\$ 9,088	\$ 89,157	\$ 141,233
Gross profit	3,489	27,336	40,342
Net income	2,413	17,946	22,009
Equity in earnings of affiliated companies	570	5,159	6,359

⁽¹⁾ Bayou Coating was sold in March 2014. Income statement data in 2014 includes only those results up to the date of its sale.

⁽²⁾ Includes the financial data of Insituform-Germany through the date of its sale in June 2013.

Investments in Variable Interest Entities

The Company evaluates all transactions and relationships with variable interest entities (“VIE”) to determine whether the Company is the primary beneficiary of the entities in accordance with FASB ASC 810, *Consolidation*.

The Company’s overall methodology for evaluating transactions and relationships under the VIE requirements includes the following two steps:

- determine whether the entity meets the criteria to qualify as a VIE; and
- determine whether the Company is the primary beneficiary of the VIE.

In performing the first step, the significant factors and judgments that the Company considers in making the determination as to whether an entity is a VIE include:

- the design of the entity, including the nature of its risks and the purpose for which the entity was created, to determine the variability that the entity was designed to create and distribute to its interest holders;
- the nature of the Company’s involvement with the entity;
- whether control of the entity may be achieved through arrangements that do not involve voting equity;
- whether there is sufficient equity investment at risk to finance the activities of the entity; and
- whether parties other than the equity holders have the obligation to absorb expected losses or the right to receive residual returns.

If the Company identifies a VIE based on the above considerations, it then performs the second step and evaluates whether it is the primary beneficiary of the VIE by considering the following significant factors and judgments:

- whether the entity has the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance; and
- whether the entity has the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

Based on its evaluation of the above factors and judgments, as of December 31, 2014, the Company consolidated any VIEs in which it was the primary beneficiary. Also, as of December 31, 2014, the Company had significant interests in certain VIEs primarily through its joint venture arrangements for which the Company was not the primary beneficiary. There have been no changes in the status of the Company’s VIE or primary beneficiary designations during 2014.

Financial data for consolidated variable interest entities at December 31, 2014 and 2013 and for each of the years in the three-year period ended December 31, 2014 are summarized in the following tables (in thousands):

Balance sheet data	December 31,	
	2014	2013
Current assets	\$ 57,046	\$ 55,651
Non-current assets	43,165	47,606
Current liabilities	22,525	33,886
Non-current liabilities	36,155	25,020

Income statement data	2014	2013	2012
Revenue	\$ 84,968	\$ 85,908	\$ 107,821
Gross profit	14,306	12,998	19,625
Net income	2,413	1,892	3,622

The Company’s non-consolidated variable interest entities are accounted for using the equity method of accounting and discussed further under “Investments in Affiliated Companies” above.

Newly Issued Accounting Pronouncements

In April 2014, the FASB issued guidance that changes the criteria for determining which disposals can be presented as discontinued operations and modifies the related disclosure requirements. Under the new guidance, a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results and is disposed of or classified as held for sale. The standard also introduces several new disclosures. The guidance applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date and is effective for annual and interim periods beginning after December 15, 2014, with earlier adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on its financial statements.

In May 2014, the FASB issued guidance that supersedes revenue recognition requirements regarding contracts with customers to transfer goods or services or for the transfer of non-financial assets. Under the new guidance, entities are required to recognize revenue in order to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-

step analysis to be performed on transactions to determine when and how revenue is recognized. This new guidance is effective retroactively in fiscal years beginning after December 15, 2016. The Company is currently evaluating the effect the guidance will have on its financial condition and results of operations.

In August 2014, the FASB issued guidance that requires management to assess the Company's ability to continue as a going concern and to provide related disclosures in certain circumstances. The standard is effective for public companies for annual periods beginning after December 15, 2016 and early adoption is permitted. The Company is currently evaluating the effect the guidance will have on its financial condition and results of operations.

3. RESTRUCTURING

On October 6, 2014, the Company's board of directors approved the 2014 Restructuring Plan to improve gross margins and profitability in the long term by exiting low-return businesses and reducing the size and cost of the Company's overhead structure.

The 2014 Restructuring Plan included exiting certain unprofitable international locations for the Company's Insituform business, consolidating the Company's worldwide Fyfe business with the Company's global Insituform business and eliminating certain idle facilities in the Company's Bayou Louisiana coatings operations.

For the year ended December 31, 2014, significant progress has been made against all of the aforementioned objectives. Headcount reductions via termination totaled 31 in 2014. The Company expects approximately 80 additional headcount reductions via termination in 2015.

In December 2014, and as part of the restructuring, the Company sold its wholly-owned subsidiary, Ka-te, to Marco Daetwyler Gruppe AG for the sale price of CHF 1.1 million (approximately \$1.1 million). In connection with the sale, the Company entered in to a five-year exclusive tube supply agreement whereby Ka-te will source all of its liners from Insituform Linings Ltd. Ka-te will also be entitled to continue to use its trade name based on a trade mark license granted for the same five-year time period.

During 2014, the Company recorded pre-tax expense of \$49.5 million for charges related to the 2014 Restructuring Plan as follows (in thousands):

	Infrastructure Solutions	Corrosion Protection	Total
Severance and benefit related costs	\$ 687	\$ —	\$ 687
Bad debt expense	11,947	—	11,947
Inventory obsolescence	2,746	—	2,746
Fixed asset impairment	533	11,338	11,871
Definite-lived intangible asset impairment	—	10,896	10,896
Other asset write-offs	5,013	—	5,013
Other restructuring costs	6,358	—	6,358
Total pre-tax restructuring charges	<u>\$ 27,284</u>	<u>\$ 22,234</u>	<u>\$ 49,518</u>

Restructuring costs of \$0.7 million are reported on a separate line in the Consolidated Statements of Operations in accordance with FASB ASC 420, *Exit or Disposal Cost Obligations*, and relate to severance and other termination benefit costs. The following tables summarize all restructuring charges recognized in 2014, by reporting segment, as presented in their affected line in the Consolidated Statements of Operations:

	Fixed Asset Impairment	Definite-lived Intangible Asset Impairment	Other Non-Cash Restructuring Charges	Cash Restructuring Charges	Total
Infrastructure Solutions:					
Cost of revenues	\$ 498	\$ —	\$ 2,774	\$ 1,076	\$ 4,348
Operating expenses	35	—	17,544	2,976	20,555
Restructuring charges	—	—	—	687	687
Other expense	—	—	790	904	1,694
	<u>533</u>	<u>—</u>	<u>21,108</u>	<u>5,643</u>	<u>27,284</u>
Corrosion Protection:					
Cost of revenues	11,338	—	—	—	11,338
Definite-lived intangible asset impairment	—	10,896	—	—	10,896
	<u>11,338</u>	<u>10,896</u>	<u>—</u>	<u>—</u>	<u>22,234</u>
Total pre-tax restructuring charges	<u>\$ 11,871</u>	<u>\$ 10,896</u>	<u>\$ 21,108</u>	<u>\$ 5,643</u>	<u>\$ 49,518</u>

Total pre-tax restructuring charges in 2014 were \$49.5 million (\$36.2 million post-tax) and consist of non-cash charges totaling \$43.9 million and cash charges totaling \$5.6 million. The non-cash charges of \$43.9 million included \$22.2 million related to the impairment of certain long-lived assets and definite-lived intangible assets for Bayou's coating operations in Louisiana, which is reported in the Corrosion Protection reportable segment, and \$21.7 million related to inventory obsolescence, impairment definite-lived intangible assets, allowances for accounts receivable, write-off of certain other current assets and long-lived assets as well as a legal accrual related to disputed work performed by our European and Asia-Pacific operations, which are reported in the Infrastructure Solutions reportable segment. Cash charges totaling \$5.6 million included employee severance, retention, extension of benefits, employment assistance programs and other costs associated with the restructuring for the European and Asia-Pacific operations.

Estimated remaining costs to be incurred in 2015, including totals and category ranges, for the 2014 Restructuring Plan are as follows:

- Approximately \$1 million to \$2 million related to severance and benefit costs,
- Approximately \$4 million to \$6 million related to other restructuring costs.

The following table summarizes the 2014 Restructuring Plan activity during 2014 (in thousands):

	Charge to Income	Utilized		Reserves at December 31, 2014
		Cash	Non-Cash	
Severance and benefit related costs	\$ 687	\$ 221	\$ —	\$ 466
Bad debt expense	11,947	—	483	11,464
Inventory obsolescence	2,746	—	2,746	—
Fixed asset impairment	11,871	—	11,871	—
Definite-lived intangible asset impairment	10,896	—	10,896	—
Other asset write-offs	5,013	—	5,013	—
Other restructuring costs	6,358	3,862	—	2,496
Total pre-tax restructuring charges	<u>\$ 49,518</u>	<u>\$ 4,083</u>	<u>\$ 31,009</u>	<u>\$ 14,426</u>

4. SUPPLEMENTAL BALANCE SHEET INFORMATION

Allowance for Doubtful Accounts

Activity in the allowance for doubtful accounts is summarized as follows for the years ended December 31 (in thousands):

	2014	2013	2012
Balance, at beginning of year	\$ 3,441	\$ 2,953	\$ 3,077
Bad debt expense ⁽¹⁾	21,911	1,043	428
Write-offs and adjustments ⁽¹⁾	(6,045)	(555)	(552)
Balance, at end of year	<u>\$ 19,307</u>	<u>\$ 3,441</u>	<u>\$ 2,953</u>

⁽¹⁾ The Company recorded bad debt expense of \$11.9 million in 2014 as part of the 2014 Restructuring Plan (see Note 3) and was primarily due to the exiting of certain low-return businesses mainly in foreign locations.

Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts consisted of the following at December 31 (in thousands):

	2014	2013
Costs incurred on uncompleted contracts	\$ 795,139	\$ 740,403
Estimated earnings to date	158,982	141,413
Subtotal	954,121	881,816
Less – billings to date	(903,098)	(826,795)
Total	<u>\$ 51,023</u>	<u>\$ 55,021</u>
Included in the accompanying balance sheets:		
Costs and estimated earnings in excess of billings	94,045	79,999
Billings in excess of costs and estimated earnings	(43,022)	(24,978)
Total	<u>\$ 51,023</u>	<u>\$ 55,021</u>

Costs and estimated earnings in excess of billings represent work performed that could not be billed either due to contract stipulations or the required contractual documentation has not been finalized. Substantially all unbilled amounts are expected to be billed and collected within one year.

Inventories

Inventories are summarized as follows at December 31 (in thousands):

	2014	2013
Raw materials and supplies	\$ 22,807	\$ 19,680
Work-in-process	13,179	8,217
Finished products	9,692	12,518
Construction materials	13,514	18,353
Total	<u>\$ 59,192</u>	<u>\$ 58,768</u>

Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31 (in thousands):

	Estimated Useful Lives (Years)	2014 ⁽¹⁾	2013
Land and land improvements		\$ 12,021	\$ 11,964
Buildings and improvements	5 — 40	62,548	63,870
Machinery and equipment	4 — 10	185,003	185,307
Furniture and fixtures	3 — 10	27,115	25,848
Autos and trucks	3 — 10	51,635	52,145
Construction in progress		15,400	31,012
Subtotal		353,722	370,146
Less – Accumulated depreciation		(185,509)	(187,843)
Total		\$ 168,213	\$ 182,303

⁽¹⁾ During the third quarter of 2014, the Company recorded asset impairments of \$11.9 million related to the 2014 Restructuring Plan (see Notes 2 and 3).

Depreciation expense was \$30.2 million, \$28.0 million and \$27.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Accrued Expenses

Accrued expenses consisted of the following at December 31 (in thousands):

	2014	2013
Vendor and other accrued expenses	\$ 49,499	\$ 51,278
Estimated casualty and healthcare liabilities	17,780	13,775
Job costs	13,718	13,843
Accrued compensation	21,033	15,942
Income tax payable and deferred income taxes	9,587	10,628
Total	\$ 111,617	\$ 105,466

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table presents a reconciliation of the beginning and ending balances of the Company's goodwill at January 1, 2014 and December 31, 2014 (in millions):

	Infrastructure Solutions	Corrosion Protection	Energy Services	Total
Beginning balance at January 1, 2014	\$ 195,570	\$ 75,862	\$ 77,248	\$ 348,680
Adjustments to goodwill ⁽¹⁾⁽²⁾	1,098	—	(1,000)	98
Impairments ⁽³⁾	(16,069)	(35,443)	—	(51,512)
Foreign currency translation	(3,324)	(919)	—	(4,243)
Goodwill at December 31, 2014	\$ 177,275	\$ 39,500	\$ 76,248	\$ 293,023

⁽¹⁾ During the second quarter of 2014, the Company recorded goodwill of \$1.1 million related to the 2012 acquisition of Fyfe Asia (see Note 1).

⁽²⁾ During the fourth quarter of 2014, the Company decreased goodwill by \$1.0 million related to the 2013 acquisition of Brinderson (see Note 1).

⁽³⁾ During the fourth quarter of 2014, the Company recorded a goodwill impairment to its Fyfe reporting unit of \$16.1 million, which is included in the Infrastructure Solutions reportable segment, and goodwill impairments to its Bayou and CRTS reporting units of \$29.7 million and \$5.7 million, respectively, which are included in the Corrosion Protection reportable segment (see Note 2).

Intangible Assets

Intangible assets at December 31, 2014 and 2013 were as follows (in thousands):

	December 31, 2014				December 31, 2013			
	Weighted Average Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
License agreements	5	\$ 3,908	\$ (3,131)	\$ 777	\$ 3,917	\$ (2,977)	\$ 940	
Backlog	0	4,731	(4,731)	—	4,745	(4,745)	—	
Leases	12	2,067	(623)	1,444	2,067	(477)	1,590	
Trademarks	16	21,722	(5,199)	16,523	21,394	(4,167)	17,227	
Non-competes	4	1,140	(839)	301	1,140	(753)	387	
Customer relationships ⁽¹⁾⁽²⁾	13	163,386	(32,196)	131,190	182,703	(28,287)	154,416	
Patents and acquired technology ⁽³⁾	16	54,090	(22,052)	32,038	57,419	(22,696)	34,723	
		<u>\$ 251,044</u>	<u>\$ (68,771)</u>	<u>\$ 182,273</u>	<u>\$ 273,385</u>	<u>\$ (64,102)</u>	<u>\$ 209,283</u>	

⁽¹⁾ During the third quarter of 2014, the Company recorded an intangible asset impairment of \$10.9 million related to realignment efforts at Bayou (see Note 2).

⁽²⁾ During the fourth quarter of 2014, the Company recorded an intangible asset impairment of \$1.4 million related to Fyfe (see Note 2).

⁽³⁾ During the fourth quarter of 2014, the Company wrote off approximately \$2.7 million in patents primarily related to Europe and in connection with the 2014 Restructuring Plan (see Note 3).

Amortization expense was \$14.1 million, \$12.2 million and \$10.5 million for the years ended December 31, 2014, 2013 and 2012, respectively. Estimated amortization expense by year is as follows (in thousands):

2015	\$ 13,443
2016	13,454
2017	13,399
2018	13,320
2019	13,149

6. LONG-TERM DEBT AND CREDIT FACILITY

Long-term debt, term note and notes payable consisted of the following at December 31 (in thousands):

	2014	2013
Term note, current annualized rate 2.21% due July 1, 2018	\$ 319,375	\$ 341,250
Line of credit, 2.16% in 2014 and 2.17% in 2013	45,500	35,500
Other notes with interest rates from 3.3% to 6.5%	12,600	11,890
Subtotal	<u>377,475</u>	<u>388,640</u>
Less – Current maturities and notes payable	26,399	22,024
Total	<u>\$ 351,076</u>	<u>\$ 366,616</u>

Principal payments required to be made for each of the next five years are summarized as follows (in thousands):

Year	Amount
2015	\$ 26,399
2016	34,932
2017	41,784
2018	274,360
2019	—
Total	<u>\$ 377,475</u>

Financing Arrangements

In July 2013, in connection with the Brinderson acquisition, the Company entered into a new \$650.0 million senior secured credit facility (the "Credit Facility") with a syndicate of banks. Bank of America, N.A. served as the administrative agent. Merrill Lynch Pierce Fenner & Smith Incorporated, JPMorgan Securities LLC and U.S. Bank National Association acted as joint lead arrangers and joint book managers in the syndication of the new credit facility. The Credit Facility consists of a \$300.0 million five-year revolving line of credit and a \$350.0 million five-year term loan facility, each with a maturity date of July 1, 2018. The Company borrowed the entire term loan and drew \$35.5 million against the revolving line of credit from the Credit Facility on July 1, 2013 for the following purposes: (1) to pay the \$147.6 million cash purchase price for the Company's acquisition of Brinderson, L.P., which closed on July 1, 2013; (2) to retire \$232.3 million in indebtedness outstanding under the Company's prior credit facility; and (3) to fund expenses associated with the Credit Facility and the Brinderson acquisition. Additionally, the Company used \$7.0 million of its cash on hand to fund these transactions.

Generally, interest will be charged on the principal amounts outstanding under the Credit Facility at the British Bankers Association LIBOR rate plus an applicable rate ranging from 1.25% to 2.25% depending on the Company's consolidated leverage ratio. The Company can also opt for an interest rate equal to a base rate (as defined in the credit documents) plus an applicable rate, which also is based on the Company's consolidated leverage ratio. The applicable one month LIBOR borrowing rate (LIBOR plus Company's applicable rate) as of December 31, 2014 was approximately 2.125%.

The Company's indebtedness at December 31, 2014 consisted of \$319.4 million outstanding from the \$350.0 million term loan under the Credit Facility and \$45.5 million on the line of credit under the Credit Facility. In July 2014, the Company borrowed \$10.0 million on the line of credit for working capital needs. Additionally, the Company and Wasco Coatings UK Ltd. ("Wasco Energy"), a subsidiary of Wah Seong Corporation, loaned Bayou Wasco Insulation, LLC ("Bayou Wasco"), a joint venture between the Company and Wasco Energy, an aggregate of \$14.0 million for the purchase of capital assets in 2012 and 2013. Additionally, during September 2014, the Company and Wasco Energy agreed to loan Bayou Wasco an additional \$2.6 million for working capital needs increasing the total to \$16.6 million. Of such amount, \$8.1 million (representing funds loaned by Wasco Energy) was designated as third-party debt in the Company's consolidated financial statements. In connection with the formation of Bayou Perma-Pipe Canada, Ltd. ("BPPC"), the Company and Perma-Pipe Canada, Inc. loaned BPPC an aggregate of \$8.0 million for the purchase of capital assets and for operating purposes. Additionally, during January 2012, the Company and Perma-Pipe Canada, Inc. agreed to loan BPPC an additional \$6.2 million for the purchase of capital assets increasing the total to \$14.2 million. Of such amount, \$4.3 million was designated as third-party debt in the Company's consolidated financial statements. The Company also held \$0.1 million of third party notes and bank debt at December 31, 2014.

As of December 31, 2014, the Company had \$27.3 million in letters of credit issued and outstanding under the Credit Facility. Of such amount, \$10.2 million was collateral for the benefit of certain of our insurance carriers and \$17.1 million was for letters of credit or bank guarantees of performance or payment obligations of foreign subsidiaries.

The Company's indebtedness at December 31, 2013 consisted of \$341.3 million outstanding from the \$350.0 million term loan under the Credit Facility and \$35.5 million on the line of credit under the Credit Facility. Additionally, the Company and Wasco Energy loaned Bayou Wasco an aggregate of \$14.0 million for the purchase of capital assets in 2012 and 2013, of which \$6.9 million (representing funds loaned by Wasco Energy) was designated as third-party debt in the consolidated financial statements. In February 2014, the Company and Wasco Energy agreed to a five-year term on the funds loaned; therefore, the amounts have been reclassified to long-term debt as of December 31, 2013. In connection with the formation of BPPC, the Company and Perma-Pipe Canada, Inc. loaned BPPC an aggregate of \$8.0 million for the purchase of capital assets and for operating purposes. Additionally, during January 2012, the Company and Perma-Pipe Canada, Inc. agreed to loan BPPC an additional \$6.2 million for the purchase of capital assets increasing the total to \$14.2 million. Of such amount, \$4.9 million was designated as third-party debt in the Company's consolidated financial statements. The Company also held \$0.1 million of third party notes and bank debt at December 31, 2013.

At December 31, 2014 and 2013, the estimated fair value of the Company's long-term debt was approximately \$377.0 million and \$380.1 million, respectively. Fair value was estimated using market rates for debt of similar risk and maturity and a discounted cash flow model, which are based on Level 3 inputs as defined in Note 11.

In July 2013, the Company entered into an interest rate swap agreement, for a notional amount of \$175.0 million that is set to expire in July 2016. The notional amount of this swap mirrors the amortization of a \$175.0 million portion of the Company's \$350.0 million term loan drawn from the Credit Facility. The swap requires the Company to make a monthly fixed rate payment of 0.87% calculated on the amortizing \$175.0 million notional amount, and provides for the Company to receive a payment based upon a variable monthly LIBOR interest rate calculated on the amortizing \$175.0 million notional amount. The annualized borrowing rate of the swap at December 31, 2014 was approximately 2.21%. The receipt of the monthly LIBOR-based payment offsets a variable monthly LIBOR-based interest cost on a corresponding \$175.0 million portion of the

Company's term loan from the Credit Facility. This interest rate swap is used to partially hedge the interest rate risk associated with the volatility of monthly LIBOR rate movement, and will be accounted for as a cash flow hedge.

The Credit Facility is subject to certain financial covenants, including a consolidated financial leverage ratio and consolidated fixed charge coverage ratio. On October 6, 2014, the Company amended the Credit Facility's defined terms for income and fixed charges to allow for the add-back of certain cash and non-cash charges related to the 2014 Restructuring Plan when calculating the Company's compliance with the consolidated financial leverage ratio and consolidated fixed charge coverage ratio. Subject to the specifically defined terms and methods of calculation as set forth in the Credit Facility's credit agreement, as amended, the financial covenant requirements, as of each quarterly reporting period end, are defined as follows:

- Consolidated financial leverage ratio compares consolidated funded indebtedness to Credit Facility defined income. The initial maximum amount was not to initially exceed 3.75 to 1.00, but decreased, as scheduled, to not more than 3.50 to 1.00 beginning with the quarter ending June 30, 2014. At December 31, 2014, the Company's consolidated financial leverage ratio was 2.90 to 1.00 and, using the Credit Facility defined income, the Company had the capacity to borrow up to approximately \$77.1 million of additional debt.
- Consolidated fixed charge coverage ratio compares Credit Facility defined income to Credit Facility defined fixed charges with a minimum permitted ratio of not less than 1.25 to 1.00. At December 31, 2014, the Company's fixed charge ratio was 1.54 to 1.00.

At December 31, 2014, the Company was in compliance with all of its debt and financial covenants as required under the Credit Facility.

7. STOCKHOLDERS' EQUITY

Share Repurchase Plan

In February 2014, the Company's board of directors authorized the open market repurchase of up to \$20.0 million of the Company's common stock to be made during 2014. Once a repurchase is complete, the Company promptly retires the shares. The Company also is authorized to utilize up to \$10.0 million in cash to purchase shares of the Company's common stock in each calendar year in connection with the Company's equity compensation programs for employees and directors. The participants in the Company's equity plans may surrender shares of previously issued common stock in satisfaction of tax obligations arising from the vesting of restricted stock awards under such plans, in connection with the exercise of stock option awards, and with the lapse of restricted periods of deferred stock unit awards. The deemed price paid is the closing price of the Company's common stock on the Nasdaq Global Select Market on the date that the restricted stock vests, the shares of the Company's common stock are surrendered in exchange for stock option exercises or the lapse of the restricted periods of deferred stock unit awards. In addition, in connection with the exercise of employee stock options, the option holder may elect a "net, net" exercise, such that the option holder receives a number of shares equal to (1) the built-in gain in the option shares divided by the market price of the Company's common stock on the date of exercise, less (2) a number of shares equal to the taxes due upon the exercise of the option divided by the market price of the Company's common stock on the date of exercise. The shares of Company common stock surrendered to the Company for taxes due on the exercise of the option are deemed repurchased by the Company.

During 2014, the Company acquired 860,761 shares of the Company's common stock for \$20.0 million (\$23.24 average price per share) through the open market repurchase program discussed above and 54,334 shares of the Company's common stock for \$1.2 million (\$22.62 average price per share) in connection with the satisfaction of tax obligations in connection with the vesting of restricted stock, the exercise of stock options and distribution of deferred stock units. In addition, during 2014, the Company acquired 419,643 shares of the Company's common stock in connection with "net, net" exercises of employee stock options for a gross value of \$9.8 million (\$1.4 million in cash value). Once repurchased, the Company immediately retired all such shares.

During 2013, the Company acquired 1,102,454 shares of the Company's common stock for \$25.0 million (\$22.68 average price per share) through open market repurchase programs and 115,931 shares of the Company's common stock for \$2.6 million (\$22.84 average price per share) in connection with the satisfaction of tax obligations in connection with the vesting of restricted stock, the exercise of stock options and distribution of deferred stock units. Once repurchased, the Company immediately retired all such shares.

Equity-Based Compensation Plans

In May 2013, the Company's stockholders approved the 2013 Employee Equity Incentive Plan (the "2013 Employee Plan"), which replaced the 2009 Employee Equity Incentive Plan (the "2009 Employee Plan"). The 2013 Employee Plan provides for equity-based compensation awards, including restricted shares of common stock, performance awards, stock options, stock units and stock appreciation rights. There are 2,895,000 shares of the Company's common stock registered for

issuance under the 2013 Employee Plan. The 2013 Employee Plan is administered by the Compensation Committee of the Board of Directors, which determines eligibility, timing, pricing, amount and other terms or conditions of awards. At December 31, 2014, there were 5,546 options and 512,630 unvested shares of restricted stock and restricted stock units outstanding under the 2013 Employee Plan.

In April 2009, the Company's stockholders approved the 2009 Employee Equity Incentive Plan (the "2009 Employee Plan"), which replaced the 2006 Employee Equity Incentive Plan (the "2006 Employee Plan"). At December 31, 2014, there were 293,159 options and 254,910 unvested shares of restricted stock and restricted stock units outstanding under the 2009 Employee Plan.

At December 31, 2014, there were 204,429 options and no unvested shares of restricted stock and restricted stock units outstanding under the 2006 Employee Plan.

In April 2011, the Company's stockholders approved the 2011 Non-Employee Director Equity Plan ("2011 Director Plan"), which replaced the 2006 Non-Employee Director Equity Plan ("2006 Non-Employee Director Plan"). The 2011 Director Plan provides for equity-based compensation awards, including non-qualified stock options and stock units. There are 200,000 shares of the Company's common stock registered for issuance under the 2011 Director Plan. The Board of Directors administers the Director Plan and has the authority to establish, amend and rescind any rules and regulations related to the 2011 Director Plan. At December 31, 2014, there were 116,798 deferred stock units outstanding under the 2011 Director Plan.

The 2011 Director Plan replaced the 2006 Non-Employee Director Plan and contains substantially the same provisions as the former plan. At December 31, 2014, there were 50,098 deferred stock units outstanding under the 2006 Non-Employee Director Plan.

The 2006 Non-Employee Director Plan replaced the 2001 Non-Employee Director Equity Plan, and contains substantially the same provisions as the former plan. At December 31, 2014, there were 54,575 deferred stock units outstanding under the 2001 Non-Employee Director Equity Plan.

Activity and related expense associated with these plans are described in Note 8.

8. EQUITY-BASED COMPENSATION

Stock Awards

Stock awards, which include shares of restricted stock, restricted stock units and restricted performance units, are awarded from time to time to executive officers and certain key employees of the Company. Stock award compensation is recorded based on the award date fair value and charged to expense ratably through the requisite service period. The forfeiture of unvested restricted stock, restricted stock units and restricted performance units causes the reversal of all previous expense recorded as a reduction of current period expense.

A summary of stock award activity during the years ended December 31, 2014, 2013 and 2012 is as follows:

	For the Years Ended December 31,					
	2014		2013		2012	
	Stock Awards	Weighted Average Award Date Fair Value	Stock Awards	Weighted Average Award Date Fair Value	Stock Awards	Weighted Average Award Date Fair Value
Outstanding, beginning of period	555,025	\$ 22.79	698,869	\$ 19.39	643,117	\$ 17.48
Restricted shares awarded	242,722	23.76	435,025	24.09	239,523	18.07
Restricted stock units awarded	395,352	21.75	112,401	25.11	222,379	18.11
Restricted shares distributed	(118,828)	23.55	(274,784)	19.04	(289,001)	13.42
Restricted stock units distributed	(15,277)	21.25	(13,761)	18.87	(15,177)	14.32
Restricted shares forfeited	(104,013)	23.77	(236,388)	23.10	(36,325)	20.13
Restricted stock units forfeited	(187,441)	24.48	(166,337)	19.55	(65,647)	18.18
Outstanding, end of period	767,540	\$ 21.93	555,025	\$ 22.79	698,869	\$ 19.39

Expense associated with stock awards was \$3.6 million, \$3.0 million, and \$4.1 million in 2014, 2013 and 2012, respectively. Unrecognized pre-tax expense of \$11.2 million related to stock awards is expected to be recognized over the weighted average remaining service period of 2.0 years for awards outstanding at December 31, 2014.

Deferred Stock Unit Awards

Deferred stock units generally are awarded to directors of the Company and represent the Company's obligation to transfer one share of the Company's common stock to the grantee at a future date and generally are fully vested on the date of grant. The expense related to the issuance of deferred stock units is recorded as of the date of the award.

The following table summarizes information about deferred stock unit activity during the years ended December 31, 2014, 2013 and 2012:

	For the Years Ended December 31,					
	2014		2013		2012	
	Deferred Stock Units	Weighted Average Award Date Fair Value	Deferred Stock Units	Weighted Average Award Date Fair Value	Deferred Stock Units	Weighted Average Award Date Fair Value
Outstanding, beginning of period	214,455	\$ 19.56	181,518	\$ 19.06	173,916	\$ 20.12
Awarded	38,810	22.89	39,966	22.33	41,734	17.78
Shares distributed	(31,794)	19.70	(7,029)	22.67	(34,132)	22.90
Outstanding, end of period	221,471	\$ 20.10	214,455	\$ 19.56	181,518	\$ 19.06

Expense associated with awards of deferred stock units was \$0.9 million, \$0.9 million and \$0.7 million in 2014, 2013 and 2012, respectively.

Stock Options

Stock options on the Company's common stock are awarded from time to time to executive officers and certain key employees of the Company. Stock options granted generally have a term of seven to ten years and an exercise price equal to the market value of the underlying common stock on the date of grant.

A summary of stock option activity during the years ended December 31, 2014, 2013 and 2012 is as follows:

	For the Years Ended December 31,					
	2014		2013		2012	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	1,208,824	\$ 18.54	1,216,809	\$ 18.46	1,107,712	\$ 18.98
Granted	38,820	24.21	29,025	25.11	281,696	18.11
Exercised	(526,359)	16.36	(29,511)	20.14	(52,676)	16.66
Canceled/Expired	(218,151)	25.61	(7,499)	24.58	(119,923)	23.21
Outstanding at December 31	503,134	\$ 18.18	1,208,824	\$ 18.54	1,216,809	\$ 18.46
Exercisable at December 31	452,236	\$ 18.12	933,738	\$ 17.84	758,270	\$ 16.80

In 2014, 2013 and 2012, the Company recorded expense of \$0.6 million, \$1.7 million and \$2.1 million, respectively, related to stock option grants. Unrecognized pre-tax expense of \$0.1 million related to stock option grants is expected to be recognized over the weighted average remaining contractual term of 1.0 years for awards outstanding at December 31, 2014.

Financial data for stock option exercises are summarized in the following table (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Amount collected from stock option exercises	\$ 8,614	\$ 738	\$ 1,054
Total intrinsic value of stock option exercises	3,771	131	177
Tax benefit (expense) of stock option exercises recorded in additional paid-in-capital	6	55	66
Aggregate intrinsic value of outstanding stock options	1,231	5,383	5,708
Aggregate intrinsic value of exercisable stock options	1,209	4,695	4,601

The intrinsic value calculations are based on the Company's closing stock price of \$18.61, \$21.89 and \$22.19 on December 31, 2014, 2013 and 2012, respectively. At December 31, 2014, 2,048,741 and 123,853 shares of common stock were available for equity-based compensation awards pursuant to the 2013 Employee Plan and the 2011 Non-Employee Director Plan, respectively.

The Company uses a binomial option-pricing model for valuation purposes to reflect the features of stock options granted. The fair value of stock options awarded during 2014, 2013 and 2012 was estimated at the date of grant based on the assumptions presented in the table below. Volatility, expected term and dividend yield assumptions were based on the Company's historical experience. The risk-free rate was based on a U.S. treasury note with a maturity similar to the option grant's expected term.

	2014		2013		2012	
	Range	Weighted Average	Range	Weighted Average	Range	Weighted Average
Grant-date fair value	\$11.27	\$11.27	12.92	\$12.92	\$8.14-\$8.19	\$8.19
Volatility	41.6%	41.6%	49.8%	49.8%	43.0%-45.2%	45.1%
Expected term (years)	7.0	7.0	7.0	7.0	7.0	7.0
Dividend yield	—%	—%	—%	—%	—%	—%
Risk-free rate	2.3%	2.3%	1.1%	1.1%	1.0%-1.5%	1.5%

9. TAXES ON INCOME (TAX BENEFITS)

Income (loss) from continuing operations before taxes on income (tax benefits) was as follows for the years ended December 31 (in thousands):

	2014	2013	2012
Domestic	\$ (75,112)	\$ 23,695	\$ 45,290
Foreign	39,137	35,307	25,576
Total	\$ (35,975)	\$ 59,002	\$ 70,866

Provisions (benefits) for taxes on income (tax benefit) from continuing operations consisted of the following components for the years ended December 31 (in thousands):

	2014	2013	2012
Current:			
Federal	\$ (2,112)	\$ 8,603	\$ 9,237
Foreign	10,586	6,078	9,704
State	2,635	527	995
Subtotal	11,109	15,208	19,936
Deferred:			
Federal	(18,629)	(2,075)	(1,817)
Foreign	3,034	(727)	69
State	646	(252)	475
Subtotal	(14,949)	(3,054)	(1,273)
Total tax provision	\$ (3,840)	\$ 12,154	\$ 18,663

Income tax (benefit) expense differed from the amounts computed by applying the U.S. federal income tax rate of 35% to income (loss) before income taxes, equity in income (loss) of joint ventures and minority interests as a result of the following (in thousands):

	2014	2013	2012
Income taxes at U.S. federal statutory tax rate	\$ (12,591)	\$ 20,651	\$ 24,803
Increase (decrease) in taxes resulting from:			
Change in the balance of the valuation allowance for deferred tax assets allocated to foreign income tax expense	7,785	1,447	3,714
Change in the balance of the valuation allowance for deferred tax assets allocated to state income tax expense	5,206	115	(10)
State income taxes, net of federal income tax benefit	(3,073)	64	966
Transaction costs	—	—	509
Meals and entertainment	863	1,034	962
Changes in taxes previously accrued	(1,932)	(3,098)	(2,422)
Foreign tax rate differences	(9,215)	(4,892)	(4,236)
Goodwill impairment	9,690	—	—
Recognition of uncertain tax positions	(96)	(89)	(800)
Contingent consideration reversal	—	(1,461)	(2,869)
Domestic Production Activities deduction	(81)	(1,548)	(1,440)
Other matters	(396)	(69)	(514)
Total tax provision	<u>\$ (3,840)</u>	<u>\$ 12,154</u>	<u>\$ 18,663</u>
Effective tax rate	10.7%	20.6%	26.3%

Net deferred taxes consisted of the following at December 31 (in thousands):

	2014	2013
Deferred income tax assets:		
Foreign tax credit carryforwards	\$ 1,477	\$ 535
Net operating loss carryforwards	19,355	17,146
Accrued expenses	21,378	13,517
Other	7,207	8,158
Total gross deferred income tax assets	<u>49,417</u>	<u>39,356</u>
Less valuation allowance	<u>(19,353)</u>	<u>(7,797)</u>
Net deferred income tax assets	<u>30,064</u>	<u>31,559</u>
Deferred income tax liabilities:		
Property, plant and equipment	(7,499)	(12,901)
Intangible assets	(22,653)	(34,983)
Undistributed foreign earnings	(7,051)	(7,051)
Other	(6,859)	(7,548)
Total deferred income tax liabilities	<u>(44,062)</u>	<u>(62,483)</u>
Net deferred income tax liabilities	<u>\$ (13,998)</u>	<u>\$ (30,924)</u>

The Company's tax assets and liabilities, netted by taxing location, are in the following captions in the balance sheets (in thousands):

	2014	2013
Current deferred income tax assets, net	\$ 9,516	\$ 4,640
Current deferred income tax liabilities, net	(3,935)	(4,304)
Noncurrent deferred income tax assets, net	3,334	6,957
Noncurrent deferred income tax liabilities, net	(22,913)	(38,217)
Net deferred income tax liabilities	<u>\$ (13,998)</u>	<u>\$ (30,924)</u>

The Company's deferred tax assets at December 31, 2014 included \$19.4 million in federal, state and foreign net operating loss ("NOL") carryforwards. These NOLs include \$10.5 million, which if not used will expire between the years 2015 and 2034, and \$8.9 million that have no expiration dates. The Company also has foreign tax credit carryforwards of \$1.5 million, of which \$0.5 million has no expiration date.

For financial reporting purposes, a valuation allowance of \$19.4 million has been recognized to reduce the deferred tax assets related to certain federal, state and foreign net operating loss carryforwards and other assets, for which it is more likely than not that the related tax benefits will not be realized, due to uncertainties as to the timing and amounts of future taxable income. The valuation allowance at December 31, 2013 was \$7.8 million. Activity in the valuation allowance is summarized as follows for the years ended December 31 (in thousands):

	2014	2013	2012
Balance, at beginning of year	\$ 7,797	\$ 6,574	\$ 4,691
Additions	14,442	1,754	2,062
Reversals	(2,090)	(131)	(191)
Other adjustments	(796)	(400)	12
Balance, at end of year	<u>\$ 19,353</u>	<u>\$ 7,797</u>	<u>\$ 6,574</u>

The Company has recorded income tax expense at U.S. tax rates on all profits, except for undistributed profits of non-U.S. subsidiaries of approximately \$277.0 million, which are considered indefinitely reinvested. Determination of the amount of unrecognized deferred tax liability related to the indefinitely reinvested profits is not feasible. A deferred tax asset is recognized only if the Company has definite plans to generate a U.S. tax benefit by repatriating earnings in the foreseeable future.

FASB ASC 740, *Income Taxes* ("FASB ASC 740"), prescribes a more-likely-than-not threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure of uncertain tax positions in financial statements.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows (in thousands):

	2014	2013	2012
Balance at January 1,	\$ 2,936	\$ 3,170	\$ 1,050
Additions for tax positions of prior years related to acquisitions	—	—	3,145
Additions for tax positions of prior years	36	30	111
Lapse in statute of limitations	(252)	(236)	(1,162)
Foreign currency translation	(48)	(28)	26
Balance at December 31, total tax provision	<u>\$ 2,672</u>	<u>\$ 2,936</u>	<u>\$ 3,170</u>

The total amount of unrecognized tax benefits, if recognized, that would affect the effective tax rate was \$0.5 million at December 31, 2014.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2014, 2013 and 2012, approximately \$0.3 million, \$0.3 million and \$0.6 million, respectively, was accrued for interest.

The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits will change in 2015. The Company has certain tax return years subject to statutes of limitation that will expire within twelve months. Unless challenged by tax authorities, the expiration of those statutes of limitation is expected to result in the recognition of uncertain

tax positions in the amount of approximately \$0.2 million.

The Company is subject to taxation in the United States, various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2010.

10. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases a number of its administrative and operations facilities under non-cancellable operating leases expiring at various dates through 2030. In addition, the Company leases certain construction, automotive and computer equipment on a multi-year, monthly or daily basis. Rental expense in the years ended December 31, 2014, 2013 and 2012 was \$24.1 million, \$19.5 million and \$18.7 million, respectively.

At December 31, 2014, the future minimum lease payments required under the non-cancellable operating leases were as follows (in thousands):

Year	Minimum Lease Payments
2015	\$ 17,140
2016	13,476
2017	8,715
2018	5,523
2019	3,237
Thereafter	2,815
Total	<u>\$ 50,906</u>

Litigation

The Company is involved in certain litigation incidental to the conduct of its business and affairs. Management, after consultation with legal counsel, does not believe that the outcome of any such litigation, individually or in the aggregate, will have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

Contingencies

In connection with the Brinderson acquisition, certain pre-acquisition matters were identified during 2014 where a loss is both probable and reasonably estimable. The Company identified the range of possible loss from zero to \$24 million. The Company establishes liabilities in accordance with FASB ASC Subtopic No. 450-20, *Contingencies – Loss Contingencies*, and, accordingly, recorded a \$14.5 million accrual for such matters as part of its purchase price accounting for Brinderson (see Note 1). The Company believes it has meritorious defenses against certain of these matters.

Purchase Commitments

The Company had no material purchase commitments at December 31, 2014.

Guarantees

The Company has many contracts that require the Company to indemnify the other party against loss from claims, including claims of patent or trademark infringement or other third party claims for injuries, damages or losses. The Company has agreed to indemnify its surety against losses from third-party claims of subcontractors. The Company has not previously experienced material losses under these provisions and, while there can be no assurances, currently does not anticipate any future material adverse impact on its consolidated financial position, results of operations or cash flows.

The Company regularly reviews its exposure under all its engagements, including performance guarantees by contractual joint ventures and indemnification of its surety. As a result of the most recent review, the Company has determined that the risk of material loss is remote under these arrangements and has not recorded a liability for these risks at December 31, 2014 on its consolidated balance sheet.

Retirement Plans

Substantially all of the Company's U.S. employees are eligible to participate in one of the Company's sponsored defined contribution savings plans, which are qualified plans under the requirements of Section 401(k) of the Internal Revenue Code. Company contributions to the domestic plans were \$5.3 million, \$4.5 million and \$3.7 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Certain foreign subsidiaries maintain various other defined contribution retirement plans. Company contributions to such plans for the years ended December 31, 2014, 2013 and 2012 were \$1.2 million, \$1.2 million and \$1.4 million, respectively.

In connection with the Company's 2009 acquisition of Corpro, the Company assumed an obligation associated with a contributory defined benefit pension plan sponsored by a subsidiary of Corpro located in the United Kingdom. Employees of this Corpro subsidiary no longer accrue benefits under the plan; however, Corpro continues to be obligated to fund prior period benefits. Corpro funds the plan in accordance with recommendations from an independent actuary and made contributions of \$0.2 million and \$0.3 million in 2014 and 2013, respectively. Both the pension expense and funding requirements for the years ended December 31, 2014 and 2013 were immaterial to the Company's consolidated financial position and results of operations. The benefit obligation and plan assets at December 31, 2014 approximated \$8.6 million and \$10.1 million, respectively. The Company used a discount rate of 3.4% for the evaluation of the pension liability. The Company has recorded an asset associated with the overfunded status of this plan of approximately \$1.5 million, which is included in other long-term assets on the consolidated balance sheet. The benefit obligation and plan assets at December 31, 2013 approximated \$7.9 million and \$9.6 million, respectively. Plan assets consist of investments in equity and debt securities as well as cash, which are primarily Level 2 investments under the fair value hierarchy of U.S. GAAP.

11. DERIVATIVE FINANCIAL INSTRUMENTS

As a matter of policy, the Company uses derivatives for risk management purposes, and does not use derivatives for speculative purposes. From time to time, the Company may enter into foreign currency forward contracts to hedge foreign currency cash flow transactions. For cash flow hedges, gain or loss is recorded in the consolidated statements of operations upon settlement of the hedge. All of the Company's hedges that are designated as hedges for accounting purposes were highly effective; therefore, no notable amounts of hedge ineffectiveness were recorded in the Company's consolidated statements of operations for the outstanding hedged balance. During each of the years ended December 31, 2014, 2013 and 2012, the Company recorded less than \$0.1 million as a gain on the consolidated statements of operations in the other income (expense) line item upon settlement of the cash flow hedges. At December 31, 2014, the Company recorded a net deferred gain of less than \$0.1 million related to the cash flow hedges in other current assets and other comprehensive income on the consolidated balance sheets and on the foreign currency translation adjustment and derivative transactions line of the consolidated statements of equity. The Company presents derivative instruments in the consolidated financial statements on a gross basis. The gross and net difference of derivative instruments are considered to be immaterial to the financial position presented in the financial statements.

The Company engages in regular inter-company trade activities with, and receives royalty payments from its wholly-owned Canadian entities, paid in Canadian Dollars, rather than the Company's functional currency, U.S. Dollars. In order to reduce the uncertainty of the U.S. Dollar settlement amount of that anticipated future payment from the Canadian entities, the Company uses forward contracts to sell a portion of the anticipated Canadian Dollars to be received at the future date and buys U.S. Dollars.

In July 2013, the Company replaced its interest rate swap agreement with a notional amount of \$83.0 million with an interest rate swap agreement with a notional amount of \$175.0 million, which is set to expire in July 2016. The notional amount of this swap mirrors the amortization of a \$175.0 million portion of the Company's \$350.0 million term loan drawn from the Credit Facility. The swap requires the Company to make a monthly fixed rate payment of 0.87% calculated on the amortizing \$175.0 million notional amount, and provides for the Company to receive a payment based upon a variable monthly LIBOR interest rate calculated on the amortizing \$175.0 million notional amount. The annualized borrowing rate of the swap at December 31, 2014 was approximately 2.21%. The receipt of the monthly LIBOR-based payment offsets a variable monthly LIBOR-based interest cost on a corresponding \$175.0 million portion of the Company's term loan from the Credit Facility. This interest rate swap is used to partially hedge the interest rate risk associated with the volatility of monthly LIBOR rate movement, and will be accounted for as a cash flow hedge.

The following table provides a summary of the fair value amounts of our derivative instruments, all of which are Level 2 (as defined below) inputs (in thousands):

Designation of Derivatives	Balance Sheet Location	December 31, 2014	December 31, 2013
Derivatives Designated as Hedging Instruments:			
Forward Currency Contracts	Prepaid expenses and other current assets	\$ 26	\$ 24
Total Assets		\$ 26	\$ 24
Forward Currency Contracts	Accrued expenses		\$ —
Interest Rate Swaps	Other non-current liabilities	729	1,220
Total Liabilities		\$ 729	\$ 1,220
Derivatives Not Designated as Hedging Instruments:			
Forward Currency Contracts	Prepaid expenses and other current assets	\$ 62	\$ 752
Total Assets		\$ 62	\$ 752
Forward Currency Contracts	Accrued Expenses	\$ —	\$ —
Total Derivative Assets		\$ 88	\$ 776
Total Derivative Liabilities		729	1,220
Total Net Derivative Asset (Liability)		\$ (641)	\$ (444)

FASB ASC 820, *Fair Value Measurements* (“FASB ASC 820”), defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements for interim and annual reporting periods. The guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1 – defined as quoted prices in active markets for identical instruments; Level 2 – defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 – defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. In accordance with FASB ASC 820, the Company determined that the instruments summarized below are derived from significant observable inputs, referred to as Level 2 inputs.

The following table represents assets and liabilities measured at fair value on a recurring basis and the basis for that measurement (in thousands):

	Total Fair Value at December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Forward Currency Contracts	\$ 88	\$ —	\$ 88	\$ —
Total	\$ 88	\$ —	\$ 88	\$ —
Liabilities:				
Interest Rate Swap	\$ 729	\$ —	729	\$ —
Total	\$ 729	\$ —	\$ 729	\$ —

	Total Fair Value at December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Forward Currency Contracts	\$ —	\$ —	\$ —	\$ —
Interest Rate Swap	1,220	—	1,220	—
Total	<u>\$ 1,220</u>	<u>\$ —</u>	<u>\$ 1,220</u>	<u>\$ —</u>

The following table summarizes the Company's derivative positions at December 31, 2014:

	Position	Notional Amount	Weighted Average Remaining Maturity In Years	Average Exchange Rate
Australian Dollar/USD	Sell	\$ 3,221,784	0.5	0.82
USD/British Pound	Sell	£ 3,050,450	0.5	1.56
EURO/British Pound	Sell	£ 10,245,902	0.5	0.78
Interest Rate Swap		\$ 159,687,500	1.6	

The Company had no transfers between Level 1, 2 or 3 inputs during 2014. Certain financial instruments are required to be recorded at fair value. Changes in assumptions or estimation methods could affect the fair value estimates; however, the Company does not believe any such changes would have a material impact on our financial condition, results of operations or cash flows. Other financial instruments including cash and cash equivalents and short-term borrowings, including notes payable, are recorded at cost, which approximates fair value, which are based on Level 2 inputs as previously defined.

12. DISCONTINUED OPERATIONS

During the second quarter of 2013, the Company's Board of Directors approved a plan of liquidation for its BWW business in an effort to improve the Company's overall financial performance and align the operations with its long-term strategic initiatives. BWW provided specialty welding and fabrication services from its facility in New Iberia, Louisiana.

BWW ceased bidding new work and substantially completed all ongoing projects during the second quarter of 2013. As a result of the closure of BWW, Aegion recognized a pre-tax, non-cash charge of approximately \$3.9 million (\$2.4 million after-tax, or \$0.06 per diluted share) to reflect the impairment of goodwill and intangible assets. The Company also recognized additional non-cash impairment charges for equipment and other assets of approximately \$1.1 million on a pre-tax basis (\$0.7 million on an after-tax basis, or \$0.02 per diluted share), which also was recorded in the second quarter of 2013. The Company also incurred cash charges to exit the business of approximately \$0.1 million on a pre-tax and post-tax basis, which included property, equipment and vehicle lease termination and buyout costs, employee termination benefits and retention incentives, among other ancillary shut-down expenses. During the fourth quarter of 2014, the Company completed final liquidation of BWW. Included within the final liquidation was the settlement of outstanding receivables with a single customer associated with a larger fabrication project. The Company also incurred cash charges of \$1.4 million related to certain professional fees incurred during dissolution as well as in connection with the settlement discussed above. This resulted in a recorded pre-tax charge of approximately \$6.0 million within discontinued operations.

The discontinuation of BWW signified a triggering event for the Bayou reporting unit goodwill. The Company updated its analysis of the Bayou reporting unit as of the date of discontinuation. In its previous Bayou reporting unit analysis on October 1, 2012, the Company tested the Bayou reporting unit as a whole, which included the carrying value and future cash flows associated with the BWW business. In the updated analysis associated with this triggering event, the Company removed any carrying value associated with BWW (as it was tested separately) and updated its income projections to reflect the removal of BWW and the current future cash flows of the Bayou reporting unit. Additionally, the Company updated the data points associated with the market approach. In this analysis, it was determined that the Bayou reporting unit did not result in an impairment at the date of discontinuation.

Operating results for discontinued operations are summarized as follows for the years ended December 31 (in thousands):

	2014	2013	2012
Revenues	\$ —	\$ 9,763	\$ 11,132
Gross profit (loss)	(67)	(4,255)	(645)
Operating expenses	(5,941)	1,973	2,038
Closure charges of welding business	—	5,019	—
Operating income (loss)	(6,008)	(11,247)	2,683
Other income (expense)	(74)	—	—
Loss before tax benefits	(6,082)	(10,731)	(2,904)
Tax benefits	2,235	4,270	1,191
Net loss	(3,847)	(6,461)	(1,713)

Balance sheet data for discontinued operations was as follows at December 31 (in thousands):

	2014	2013
Restricted cash	\$ —	\$ 1,193
Receivables, net	—	4,038
Prepaid expenses and other current assets	—	204
Property, plant and equipment, less accumulated depreciation	—	1,118
Deferred tax assets	—	1,803
Total assets	<u>\$ —</u>	<u>\$ 8,356</u>
Accounts payable	\$ —	\$ 2,050
Accrued expenses	—	20
Deferred tax liabilities	—	197
Total liabilities	<u>\$ —</u>	<u>\$ 2,267</u>

13. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in three distinct markets: energy and mining; water and wastewater; and commercial and structural services. Effective in the fourth quarter of 2014, the Company realigned its existing three operating segments, which are also its reportable segments: Infrastructure Solutions; Corrosion Protection; and Energy Services. The Company's operating segments correspond to its management organizational structure. Each new operating segment has a president who reports to the chief operating decision manager ("CODM"). The operating results and financial information reported by each of the new segments are evaluated separately, regularly reviewed and used by the CODM to evaluate segment performance, allocate resources and determine management incentive compensation. The realignment did not change the composition of the Company's reporting units for goodwill impairment testing purposes. The current and all future SEC filings will reflect these new reportable segments, unless and until such time as there is a subsequent change in the Company's reportable segments.

The year ended December 31, 2014 results include \$51.5 million of goodwill impairment charges (see Note 2), \$12.1 million of definite-lived intangible asset impairment charges (see Note 2) and \$0.7 million for restructuring charges (see Note 3). The Company recorded these charges under "Goodwill impairment", "Definite-lived intangible asset impairment" and "Restructuring charges", respectively, on its Consolidated Statements of Operations. Additionally, the year ended December 31, 2014 results include \$1.4 million for costs incurred related to the Company's acquisition of Brinderson, Fyfe Asia and other acquisition targets. The year ended December 31, 2013 results include \$5.8 million for costs incurred related to the acquisition of Brinderson and other acquisition targets. The year ended December 31, 2012 results include \$3.1 million for costs incurred related to the acquisitions of Fyfe LA and Fyfe Asia and other acquisition targets. The Company recorded these costs under "Acquisition-related expenses" on its Consolidated Statements of Operations.

The following disaggregated financial results have been prepared using a management approach that is consistent with the basis and manner with which management internally disaggregates financial information for the purpose of making internal operating decisions. Financial results for discontinued operations have been removed for all periods presented. The Company evaluates performance based on stand-alone operating income (loss).

Financial information by segment was as follows (in thousands):

	2014	2013	2012
Revenues:			
Infrastructure Solutions	\$ 567,205	\$ 529,301	\$ 502,856
Corrosion Protection	458,409	453,886	513,975
Energy Services	305,807	108,233	—
Total revenues	\$ 1,331,421	\$ 1,091,420	\$ 1,016,831
Operating income (loss):			
Infrastructure Solutions	\$ (6,194)	\$ 28,487	\$ 21,809
Corrosion Protection	(31,010)	37,253	59,994
Energy Services	17,392	1,142	—
Total operating income (loss)	\$ (19,812)	\$ 66,882	\$ 81,803
Total assets:			
Infrastructure Solutions	\$ 485,785	\$ 514,778	\$ 531,124
Corrosion Protection	506,659	547,280	569,109
Energy Services	197,858	190,688	—
Corporate	105,371	116,316	101,851
Discontinued Operations	—	8,356	15,810
Total assets	\$ 1,295,673	\$ 1,377,418	\$ 1,217,894
Capital expenditures:			
Infrastructure Solutions	\$ 13,096	\$ 8,828	\$ 7,848
Corrosion Protection	12,107	14,399	34,796
Energy Services	3,720	968	—
Corporate	3,976	1,890	2,094
Total capital expenditures	\$ 32,899	\$ 26,085	\$ 44,738
Depreciation and amortization:			
Infrastructure Solutions	\$ 15,726	\$ 16,552	\$ 17,800
Corrosion Protection	19,259	18,736	18,175
Energy Services	7,004	3,218	—
Corporate	2,323	1,823	1,683
Total depreciation and amortization	\$ 44,312	\$ 40,329	\$ 37,658

The following table summarizes revenues, gross profit and operating income (loss) by geographic region (in thousands):

	2014	2013	2012
Revenues: ⁽¹⁾			
United States	\$ 926,834	\$ 672,192	\$ 589,027
Canada	202,806	179,236	180,283
Europe	85,614	90,646	86,883
Other foreign	116,167	149,346	160,638
Total revenues	\$ 1,331,421	\$ 1,091,420	\$ 1,016,831
Operating income (loss):			
United States	\$ (45,945)	\$ 24,977	\$ 40,676
Canada	36,883	28,955	31,376
Europe	1,862	6,276	6,196
Other foreign	(12,612)	6,674	3,555
Total operating income	\$ (19,812)	\$ 66,882	\$ 81,803
Long-lived assets: ⁽¹⁾⁽²⁾			
United States	\$ 135,898	\$ 154,367	\$ 151,337
Canada	25,610	28,539	28,724
Europe	8,984	10,007	16,396
Other foreign	8,429	12,806	14,040
Total long-lived assets	\$ 178,921	\$ 205,719	\$ 210,497

⁽¹⁾ Revenues and long-lived assets are attributed to the country of origin for the Company's legal entities. For a significant majority of its legal entities, the country of origin relates to the country or geographic area that it services.

⁽²⁾ Long-lived assets as of December 31, 2014, 2013 and 2012 do not include intangible assets, goodwill or deferred tax assets.

14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited quarterly financial data was as follows for the years ended December 31, 2014 and 2013 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter⁽¹⁾	Fourth Quarter⁽²⁾
Year ended December 31, 2014:				
Revenues	\$ 306,234	\$ 322,868	\$ 350,138	\$ 352,181
Gross profit	61,063	71,918	63,939	83,063
Operating income (loss)	9,134	20,619	(13,934)	(35,631)
Income (loss) from continuing operations	4,560	12,776	(16,101)	(32,800)
Loss from discontinued operations	(132)	(364)	(130)	(3,221)
Net income (loss)	4,428	12,412	(16,231)	(36,021)
Basic earnings per share:				
Income (loss) from continuing operations	\$ 0.12	\$ 0.34	\$ (0.45)	\$ (0.90)
Loss from discontinued operations	—	(0.01)	—	(0.09)
Net income (loss)	<u>\$ 0.12</u>	<u>\$ 0.33</u>	<u>\$ (0.45)</u>	<u>\$ (0.99)</u>
Diluted earnings per share				
Income (loss) from continuing operations	\$ 0.12	\$ 0.33	\$ (0.45)	\$ (0.90)
Loss from discontinued operations	—	(0.01)	—	(0.09)
Net income (loss)	<u>\$ 0.12</u>	<u>\$ 0.32</u>	<u>\$ (0.45)</u>	<u>\$ (0.99)</u>

⁽¹⁾ Includes expenses of \$40.0 million related to our 2014 Restructuring Plan (see Note 3).

⁽²⁾ Includes expenses of \$9.5 million related to our 2014 Restructuring Plan and \$52.7 million related to certain goodwill and definite-lived intangible asset impairments (see Notes 2, 3 and 5).

	First Quarter	Second Quarter	Third Quarter⁽³⁾	Fourth Quarter⁽³⁾
Year ended December 31, 2013:				
Revenues	\$ 225,976	\$ 242,100	\$ 307,665	\$ 315,679
Gross profit	48,137	58,568	69,411	70,905
Operating income	6,818	15,823	22,032	22,209
Income from continuing operations	4,258	18,396	14,623	14,730
Loss from discontinued operations	(921)	(4,977)	(558)	(5)
Net income	3,337	13,419	14,065	14,725
Basic earnings per share:				
Income from continuing operations	\$ 0.09	\$ 0.47	\$ 0.37	\$ 0.38
Loss from discontinued operations	(0.02)	(0.13)	(0.01)	—
Net income	<u>\$ 0.07</u>	<u>\$ 0.34</u>	<u>\$ 0.36</u>	<u>\$ 0.38</u>
Diluted earnings per share				
Income from continuing operations	\$ 0.09	\$ 0.47	\$ 0.37	\$ 0.37
Loss from discontinued operations	(0.02)	(0.13)	(0.01)	—
Net income	<u>\$ 0.07</u>	<u>\$ 0.34</u>	<u>\$ 0.36</u>	<u>\$ 0.37</u>

⁽³⁾ Includes the financial results of Brinderson, which was acquired in July 2013 (see Note 1).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Our management, under the supervision and with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), has conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of December 31, 2014. Based upon and as of the date of this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls were effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act (a) is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission’s rules and forms and (b) is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we have included a report that provides management’s assessment of our internal control over financial reporting as part of this Annual Report on Form 10-K for the year ended December 31, 2014. Management’s report is included in Item 8 of this report under the caption entitled “Management’s Report on Internal Control Over Financial Reporting,” and is incorporated herein by reference. Our independent registered public accounting firm has issued an attestation report on the effectiveness of our internal control over financial reporting. This attestation report is included in Item 8 of this report under the caption entitled “Report of Independent Registered Public Accounting Firm” and is incorporated herein by reference.

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information concerning this item is included in “Item 4A. Executive Officers of the Registrant” of this report and under the captions “Certain Information Concerning Director Nominees,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance—Corporate Governance Documents,” “Corporate Governance—Board Meetings and Committees—Audit Committee” and “Corporate Governance—Board Meetings and Committees—Audit Committee Financial Expert” in our Proxy Statement for our 2015 Annual Meeting of Stockholders (“2015 Proxy Statement”) and is incorporated herein by reference.

Item 11. Executive Compensation.

Information concerning this item is included under the captions “Executive Compensation,” “Compensation in Last Fiscal Year,” “Director Compensation,” “Corporate Governance—Board Meetings and Committees—Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” in the 2015 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information concerning this item is included in Item 6 of this report under the caption “Equity Compensation Plan Information” and under the caption “Information Concerning Certain Stockholders” in the 2015 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information concerning this item is included under the caption “Related-Party Transactions” and under the caption “Corporate Governance—Independent Directors” in the 2015 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Information concerning this item is included under the caption “Independent Auditors’ Fees” in the 2015 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. Financial Statements:

The consolidated financial statements filed in this Annual Report on Form 10-K are listed in the Index to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data,” which information is incorporated herein by reference.

2. Financial Statement Schedules:

No financial statement schedules are included herein because of the absence of conditions under which they are required or because the required information is contained in the consolidated financial statements or notes thereto contained in this report.

3. Exhibits:

The exhibits required to be filed as part of this Annual Report on Form 10-K are listed in the Index to Exhibits attached hereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 2, 2015

AEGION CORPORATION

By: /s/ Charles R. Gordon

Charles R. Gordon

President and Chief Executive Officer

POWER OF ATTORNEY

The registrant and each person whose signature appears below hereby appoint Charles R. Gordon and David F. Morris as attorneys-in-fact with full power of substitution, severally, to execute in the name and on behalf of the registrant and each such person, individually and in each capacity stated below, one or more amendments to the annual report which amendments may make such changes in the report as the attorney-in-fact acting deems appropriate and to file any such amendment to the report with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Charles R. Gordon</u> Charles R. Gordon	Principal Executive Officer and Director	March 2, 2015
<u>/s/ David A. Martin</u> David A. Martin	Principal Financial Officer and Principal Accounting Officer	March 2, 2015
<u>/s/ Stephen P. Cortinovis</u> Stephen P. Cortinovis	Director	March 2, 2015
<u>/s/ Christopher B. Curtis</u> Christopher B. Curtis	Director	March 2, 2015
<u>/s/ Stephanie A. Cuskley</u> Stephanie A. Cuskley	Director	March 2, 2015
<u>/s/ Walter J. Galvin</u> Walter J. Galvin	Director	March 2, 2015
<u>/s/ Juanita H. Hinshaw</u> Juanita H. Hinshaw	Director	March 2, 2015
<u>/s/ M. Richard Smith</u> M. Richard Smith	Director	March 2, 2015
<u>/s/ Alfred L. Woods</u> Alfred L. Woods	Director	March 2, 2015
<u>/s/ Phillip D. Wright</u> Phillip D. Wright	Director	March 2, 2015

INDEX TO EXHIBITS ⁽¹⁾

- 3.1 Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the current report on Form 8-K12B filed on October 26, 2011), and Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.3 to the current report on Form 8-K12B filed on October 26, 2011).
- 3.2 Certificate of Correction of the Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the annual report on Form 10-K for the year ended December 31, 2013).
- 3.3 By-Laws of the Company (incorporated by reference to Exhibit 3.2 to the current report on Form 8-K12B filed October 26, 2011).
- 10.1 Agreement of Merger and Plan of Reorganization, dated October 19, 2011, by and among Insituform Technologies, Inc., Aegion Corporation and Insituform MergerSub, Inc. (incorporated by reference to Exhibit 2.1 to the current report on Form 8-K12B filed October 26, 2011).
- 10.2 Assignment and Assumption Agreement, dated October 25, 2011, between Insituform Technologies, Inc. and Aegion Corporation (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K12B filed October 26, 2011).
- 10.3 Amended and Restated 2001 Non-Employee Director Equity Incentive Plan of the Company (incorporated by reference to Appendix B to the definitive proxy statement on Schedule 14A filed on April 16, 2003 in connection with the 2003 annual meeting of stockholders). ⁽²⁾
- 10.4 2006 Employee Equity Incentive Plan of the Company (incorporated by reference to Appendix C to the definitive proxy statement on Schedule 14A filed on March 10, 2006 in connection with the 2006 annual meeting of stockholders), as amended on April 14, 2006 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed on April 14, 2006). ⁽²⁾
- 10.5 2006 Non-Employee Director Equity Plan of the Company (incorporated by reference to Appendix B to the definitive proxy statement on Schedule 14A filed on March 10, 2006 in connection with the 2006 annual meeting of stockholders). ⁽²⁾
- 10.6 2009 Employee Equity Incentive Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed on March 25, 2009, as revised on April 7, 2009, in connection with the 2009 annual meeting of stockholders). ⁽²⁾
- 10.7 2011 Non-Employee Director Equity Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed on March 18, 2011 in connection with the 2011 annual meeting of stockholders). ⁽²⁾
- 10.8 2013 Employee Equity Incentive Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed on April 3, 2013 in connection with the 2013 annual meeting of stockholders). ⁽²⁾
- 10.9 Employee Stock Purchase Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed on March 15, 2007 in connection with the 2007 annual meeting of stockholders). ⁽²⁾
- 10.10 Senior Management Voluntary Deferred Compensation Plan, as amended and restated effective January 1, 2014 (incorporated by reference to Exhibit 10.10 to the annual report on Form 10-K for the year ended December 31, 2013). ⁽²⁾
- 10.11 2011 Executive Performance Plan of the Company (incorporated by reference to Appendix B to the definitive proxy statement on Schedule 14A filed on March 18, 2011 in connection with the 2011 annual meeting of stockholders). ⁽²⁾

- 10.12 Form of Directors' Indemnification Agreement (incorporated by reference to Exhibit 10.13 to the annual report on Form 10-K for the year ended December 31, 2011).
- 10.13 Form of Executive Change in Control Severance Agreement, dated as of October 6, 2014, between Aegion Corporation and each of Charles R. Gordon, David A. Martin and David F. Morris (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed on October 10, 2014).
- 10.14 Management Annual Incentive Plan effective January 1, 2015, filed herewith. ⁽²⁾
- 10.15 Form of Performance Unit Agreement, dated February 18, 2015, between Aegion Corporation and certain executive officers of Aegion Corporation, filed herewith. ⁽²⁾
- 10.16 Form of Restricted Stock Unit Agreement, dated February 18, 2015, between Aegion Corporation and certain executive officers of Aegion Corporation, filed herewith. ⁽²⁾
- 10.17 Employment Letter between the Company and J. Joseph Burgess dated April 14, 2008 (incorporated by reference to Exhibit 10.2 to the current report on Form 8-K filed on April 10, 2008). ⁽²⁾
- 10.18 Executive Separation Agreement and Release, dated May 3, 2014, between the Company and J. Joseph Burgess (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed on May 5, 2014).
- 10.19 Employment Letter between the Company and Brian J. Clarke dated February 14, 2011 (incorporated by reference to Exhibit 10.16 to the annual report on Form 10-K for the year ended December 31, 2011). ⁽²⁾
- 10.20 Independent Contractor Agreement, dated May 4, 2014, between the Company and Charles R. Gordon (incorporated by reference to Exhibit 10.2 to the current report on Form 8-K filed on May 5, 2014).
- 10.21 Letter agreement, dated October 6, 2014, between Aegion Corporation and Charles R. Gordon (incorporated by reference to Exhibit 10.2 to the current report on Form 8-K filed on October 10, 2014).
- 10.22 Form of Restricted Stock Agreement, dated October 8, 2014, between Aegion Corporation and Charles R. Gordon (incorporated by reference to Exhibit 10.3 to the current report on Form 8-K filed on October 10, 2014).
- 10.23 Form of Performance Unit Award Agreement, dated October 8, 2014, between Aegion Corporation and Charles R. Gordon (incorporated by reference to Exhibit 10.4 to the current report on Form 8-K filed on October 10, 2014).
- 10.24 Form of Inducement Restricted Stock Award Agreement, dated October 8, 2014, between Aegion Corporation and Charles R. Gordon (incorporated by reference to Exhibit 10.5 to the current report on Form 8-K filed on October 10, 2014).
- 10.25 Credit Agreement, dated as of July 1, 2013, among Aegion Corporation, the Guarantors and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed on July 5, 2013).
- 10.26 Second Amendment to Credit Agreement, dated October 6, 2014 (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed on October 10, 2014).
- 10.27 Equity Purchase Agreement by and among Energy & Mining Holding Company, LLC, Aegion Corporation, Brinderson, L.P., General Energy Services, Gary Brinderson (solely for purposes of Section 6.4, Section 6.7 and Article X), Energy Constructors, Inc. (solely for purposes of Section 6.15 and Article X) and equity holders listed on the signature pages thereto, dated June 24, 2013 (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed on June 25, 2013).

10.28	First Amendment to Equity Purchase Agreement, dated as of June 30, 2013, by and between Energy & Mining Holding Company, LLC and Tim W. Carr, Southpac Trust International, Inc. and Richard B. Fontaine, Trustees of the BCSD Trust dated 1/28/93, as amended and restated (incorporated by reference to Exhibit 10.2 to the current report on Form 8-K filed on July 5, 2013).
21	Subsidiaries of the Company, filed herewith.
23	Consent of PricewaterhouseCoopers LLP, filed herewith.
24	Power of Attorney (set forth on signature page).
31.1	Certification of Charles R. Gordon pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of David A. Martin pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of Charles R. Gordon pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of David A. Martin pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* In accordance with Rule 406T under Regulation S-T, the XBRL-related information in Exhibit 101 shall be deemed “furnished” and not “filed”.

- (1) The Company’s current, quarterly and annual reports are filed with the Securities and Exchange Commission under file no. 0-10786.
- (2) Management contract or compensatory plan or arrangement.

* * *

Documents listed in this Index to Exhibits will be made available upon written request.

AEGION CORPORATION**Income from Continuing Operations Reconciliation to Non-GAAP**

IN THOUSANDS, EXCEPT PER SHARE DATA

2014		
	Amount	EPS
Loss from continuing operations (GAAP, as reported)	\$ (33,320)	\$ (0.88)
<i>Adjustments:</i>		
Restructuring-related charges	36,153	0.95
Long-lived assets and goodwill impairments	46,613	1.23
Acquisition-related expenses	828	0.02
Joint venture and divestiture activity	278	0.01
Reserves for disputed and long-dated accounts receivable	4,494	0.11
Acquisition-related escrow settlement	(2,844)	(0.07)
Income from continuing operations (Non-GAAP)	<u>\$ 52,202</u>	<u>\$ 1.37</u>

2013		
	Amount	EPS
Income from continuing operations (GAAP, as reported)	\$ 50,812	\$ 1.30
<i>Adjustments:</i>		
Acquisition-related expenses	3,510	0.09
Credit facility financing fees	1,182	0.03
Joint venture and divestiture activity	(6,053)	(0.15)
Income from continuing operations (Non-GAAP)	<u>\$ 49,451</u>	<u>\$ 1.27</u>

2012		
	Amount	EPS
Income from continuing operations (GAAP, as reported)	\$ 54,374	\$ 1.37
<i>Adjustments:</i>		
Acquisition-related expenses	2,690	0.07
Income from continuing operations (Non-GAAP)	<u>\$ 57,064</u>	<u>\$ 1.44</u>

2011		
	Amount	EPS
Income from continuing operations (GAAP, as reported)	\$ 27,134	\$ 0.68
<i>Adjustments:</i>		
Restructuring charges	1,496	0.04
Acquisition-related expenses	4,703	0.12
Prior debt redemption costs	4,127	0.10
Income from continuing operations (Non-GAAP)	<u>\$ 37,460</u>	<u>\$ 0.94</u>

AEGION CORPORATION
Operating Income Reconciliation to Non-GAAP

IN THOUSANDS

2014	
	Amount
Operating loss (GAAP, as reported)	\$ (19,812)
<i>Adjustments:</i>	
Restructuring-related charges	47,824
Long-lived assets and goodwill impairments	52,732
Acquisition-related expenses	1,375
Reserves for disputed and long-dated accounts receivable	7,465
Acquisition-related escrow settlement	<u>(4,500)</u>
Operating income (Non-GAAP)	<u>\$ 85,084</u>

2013	
	Amount
Operating income (GAAP, as reported)	\$ 66,882
<i>Adjustments:</i>	
Acquisition-related expenses	<u>5,831</u>
Operating income (Non-GAAP)	<u>\$ 72,713</u>

2012	
	Amount
Operating income (GAAP, as reported)	\$ 81,803
<i>Adjustments:</i>	
Acquisition-related expenses	<u>3,124</u>
Operating income (Non-GAAP)	<u>\$ 84,927</u>

2011	
	Amount
Operating income (GAAP, as reported)	\$ 45,707
<i>Adjustments:</i>	
Restructuring charges	2,151
Acquisition-related expenses	<u>6,372</u>
Operating income (Non-GAAP)	<u>\$ 54,230</u>

AEGION CORPORATION**2014 Segment Operating Income Reconciliation to Non-GAAP**

IN THOUSANDS

Infrastructure Solutions		
	Amount	Margin
Operating loss (GAAP, as reported)	\$ (6,194)	(1.1%)
<i>Adjustments:</i>		
Restructuring-related charges	25,590	
Long-lived assets and goodwill impairments	17,289	
Reserves for disputed and long-dated accounts receivable	<u>7,465</u>	
Operating income (Non-GAAP)	<u>\$ 44,150</u>	7.8%

Corrosion Protection		
	Amount	Margin
Operating loss (GAAP, as reported)	\$ (31,010)	(6.8%)
<i>Adjustments:</i>		
Restructuring-related charges	22,234	
Long-lived assets and goodwill impairments	35,443	
Acquisition-related expenses	<u>719</u>	
Operating income (Non-GAAP)	<u>\$ 27,386</u>	6.0%

Energy Services		
	Amount	Margin
Operating income (GAAP, as reported)	\$ 17,392	5.7%
<i>Adjustments:</i>		
Acquisition-related expenses	656	
Acquisition-related escrow settlement	<u>(4,500)</u>	
Operating income (Non-GAAP)	<u>\$ 13,548</u>	4.4%



CORPORATE INFORMATION

EXECUTIVE OFFICERS OF AEGION CORPORATION

- 1** Charles R. Gordon
President and Chief Executive Officer
- 2** David A. Martin
Executive Vice President and Chief Financial Officer
- 3** David F. Morris
*Executive Vice President,
General Counsel and Chief Administrative Officer*
- 4** John D. Huhn
Senior Vice President, Strategy & Corporate Development
- 5** Laura M. Villa
Senior Vice President, Human Resources
- 6** Kenneth L. Young
Senior Vice President and Treasurer

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
800 Market Street | St. Louis, Missouri 63101

TRANSFER AGENT & REGISTRAR

American Stock Transfer & Trust Company
59 Maiden Lane | New York, New York 10038

PRICE RANGE OF SECURITIES

The Company's common shares, \$.01 par value, are traded on The Nasdaq Global Select Market under the symbol "AEGN." The following table sets forth the range of quarterly high and low sales prices for the years ended December 31, 2014 and 2013, as reported on The Nasdaq Global Select Market. Quotations represent prices between dealers and do not include retail mark-ups, mark-downs or commissions.

PERIOD	HIGH	LOW
2014:		
First Quarter	\$ 25.39	\$ 19.14
Second Quarter	25.64	21.94
Third Quarter	25.52	21.69
Fourth Quarter	22.61	16.54
2013:		
First Quarter	\$ 26.10	\$ 21.51
Second Quarter	24.03	19.72
Third Quarter	25.00	21.21
Fourth Quarter	24.09	19.67

FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission, is available free of charge on our website, www.aegion.com, or upon request by writing to the Company's investor relations department at 17988 Edison Avenue, St. Louis, Missouri 63005.

BOARD OF DIRECTORS



Alfred L. Woods

Chairman of the Board
Ex Officio Member
All Standing Board Committees
*Former President & CEO
Woods Group, LLC*



Charles R. Gordon

Strategic Planning & Finance Committee
*President & CEO
Aegion Corporation*



Stephen P. Cortinovis

Strategic Planning & Finance Committee (Chair)
Corporate Governance & Nominating Committee
*Former President, Europe
Emerson Electric Co.*



Christopher B. Curtis

Compensation Committee
Strategic Planning & Finance Committee
*Former President and CEO
Schneider Electric, NA*



Stephanie A. Cuskley

Audit Committee (Chair)
Compensation Committee
*CEO
NPower*



Walter J. Galvin

Audit Committee
Corporate Governance & Nominating Committee
*Former CFO and Vice Chairman
Emerson Electric Co.*



Juanita H. Hinshaw

Compensation Committee (Chair)
Audit Committee
*President & CEO
H & H Advisors*



M. Richard Smith

Corporate Governance &
Nominating Committee (Chair)
Strategic Planning & Finance Committee
*Board Member and Consultant
Sithe Global Power, LLC*



Phillip D. Wright

Compensation Committee
Strategic Planning & Finance Committee
*Former President & CEO
Williams Energy Services, LLC*



AEGION CORPORATION

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