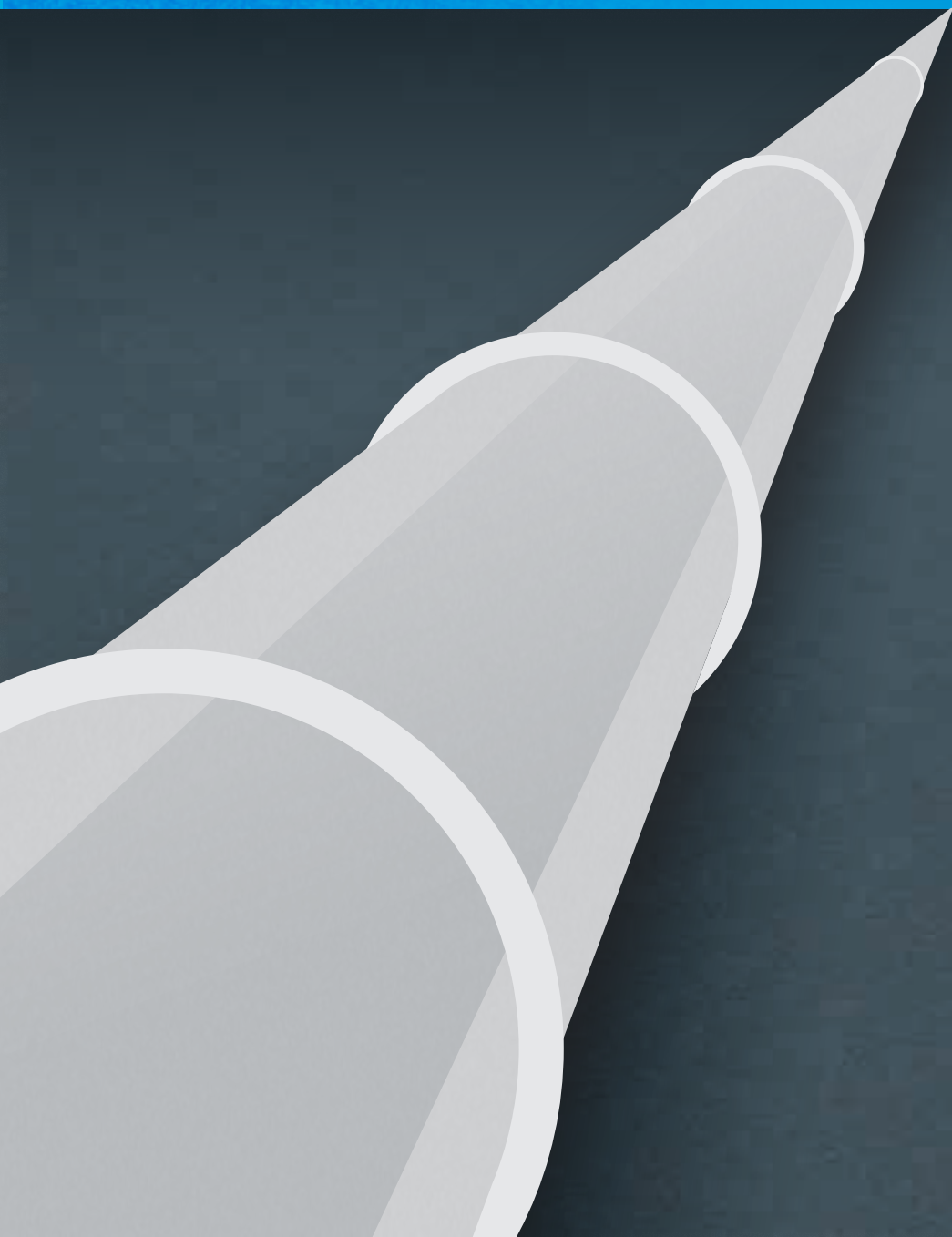




Stronger. Safer. Infrastructure.®

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→ FINANCIAL HIGHLIGHTS

	2016	2015	2014	2013	2012
(IN THOUSANDS, EXCEPT PER SHARE DATA)	FOR THE YEARS ENDED DECEMBER 31				
Revenue	\$ 1,221,920	\$ 1,333,570	\$ 1,331,421	\$ 1,091,420	\$ 1,016,831
Gross Profit	253,164	275,787	279,983	247,021	243,754
Operating Income (Loss)	50,826	19,946	(19,812)	66,882	81,803
Income (Loss) from Continuing Operations	29,488	(8,067)	(33,320)	50,812	54,374
Adjusted Income from Continuing Operations (non-GAAP) ¹	38,641	47,233	52,202	49,451	57,064
Net Income (Loss)	29,488	(8,067)	(37,167)	44,351	52,661
Diluted Earnings (Loss) per Share					
Income (Loss) per Share from Continuing Operations	0.84	(0.22)	(0.88)	1.30	1.37
Adjusted Income per Share from Continuing Operations (non-GAAP) ¹	1.10	1.28	1.37	1.27	1.44
Diluted Net Income (Loss) per Share	0.84	(0.22)	(0.98)	1.13	1.33
Operating Cash Flow from Continuing Operations	\$ 73,216	\$ 132,023	\$ 81,868	\$ 88,065	\$ 110,951

¹For 2016, 2015, 2014, 2013 and 2012, non-GAAP amounts exclude, as applicable, restructuring charges, goodwill and definite-lived intangible asset impairment charges, reserves for disputed and long-dated receivables, certain litigation settlements, certain acquisition-related escrow settlements, acquisition-related expenses, prior debt redemption expenses and joint venture and divestiture activity (non-GAAP); see reconciliation on pages A-1, A-2 and A-3.

Recordable and lost time incident rates have been trending down.

The total recordable incident rate (TRIR) and lost time incident rate (LTIR) are factored calculations based on national standards for the severity of medically treated injuries.

LTIR → 2015: **0.10** | 2016: **0.19**

TRIR → 2015: **0.55** | 2016: **0.62**

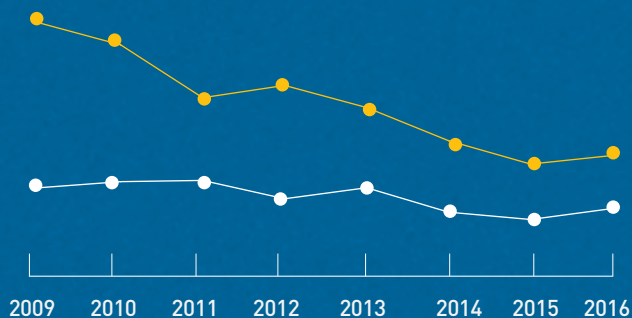


FIGURE 1

DEAR FELLOW STOCKHOLDERS,

Aegion has implemented many changes in recent years, and we are stronger and better positioned as a result. With improving key markets, particularly energy, and the people, solutions and strategic plan in place to capitalize on them, my optimism for Aegion's future is high. With that in mind, this year's annual report invites you to FOLLOW US as we place ourselves on the path to sustainable organic growth.

ZERO INCIDENTS ARE POSSIBLE.

The path to sustainable organic growth starts with DOING WHAT'S RIGHT to maintain a safe work environment for the benefit of our employees, our customers, our stockholders and the communities where we live and work. 2016 Company-wide total recordable and lost time incident rates were less than half of what they were in 2009, placing us firmly in the top tier for safety in our industry. [SEE FIGURE 1]

ZERO INCIDENTS ARE POSSIBLE.

Aegion's Focus Four 2017 safety initiative provides everyone with tools, ideas and training to improve safety performance.

Aegion's Infrastructure Solutions platform is going one step further and using *The Aegion Way*, our continuous improvement process, to focus on ways to reduce workplace injuries in 2017.

THE INFRASTRUCTURE SOLUTIONS PLATFORM'S FOCUS FOUR 2017 SAFETY INITIATIVES INCLUDE:



SAFETY LEADERSHIP

Using *The Aegion Way*, a team will establish a safe and consistent process for product installation that crews will be required to follow.



BODY MECHANICS

Teams will seek and develop technologies that assist crews in moving and operating installation equipment, with a goal of eliminating 25 percent of the lifting required on a jobsite.



HAZARD RECOGNITION

Leaders and employees will be trained on how to identify and eliminate site hazards.



HAND SAFETY

The Infrastructure Solutions platform has incorporated process changes that eliminate cutting material with knives, a step that is projected to reduce knife usage by 30 percent and improve hand safety.

FIGURE 2

Our Energy Services platform worked approximately 4.5 million hours with no lost time incidents in 2016, and our Corrosion Protection platform worked the final seven months of the year without incurring a recordable injury. While the Infrastructure Solutions platform continues to perform better than the national average, its performance in North America resulted in a slight uptick in Aegion's overall safety performance in 2016. Our long-term commitment to safety is unyielding, and our Infrastructure Solutions platform is taking aggressive actions to improve its safety performance in 2017. [SEE FIGURE 2]

RESULTS MATTER. [SEE FIGURES 3 AND 4]

2016 was a difficult year, but we managed through it by remaining focused on our customers, our stockholders and our strategy for long-term growth. Oil prices bottomed out at their lowest point in over a decade during the first two months of 2016,

AEGION CORPORATION FINANCIAL RESULTS

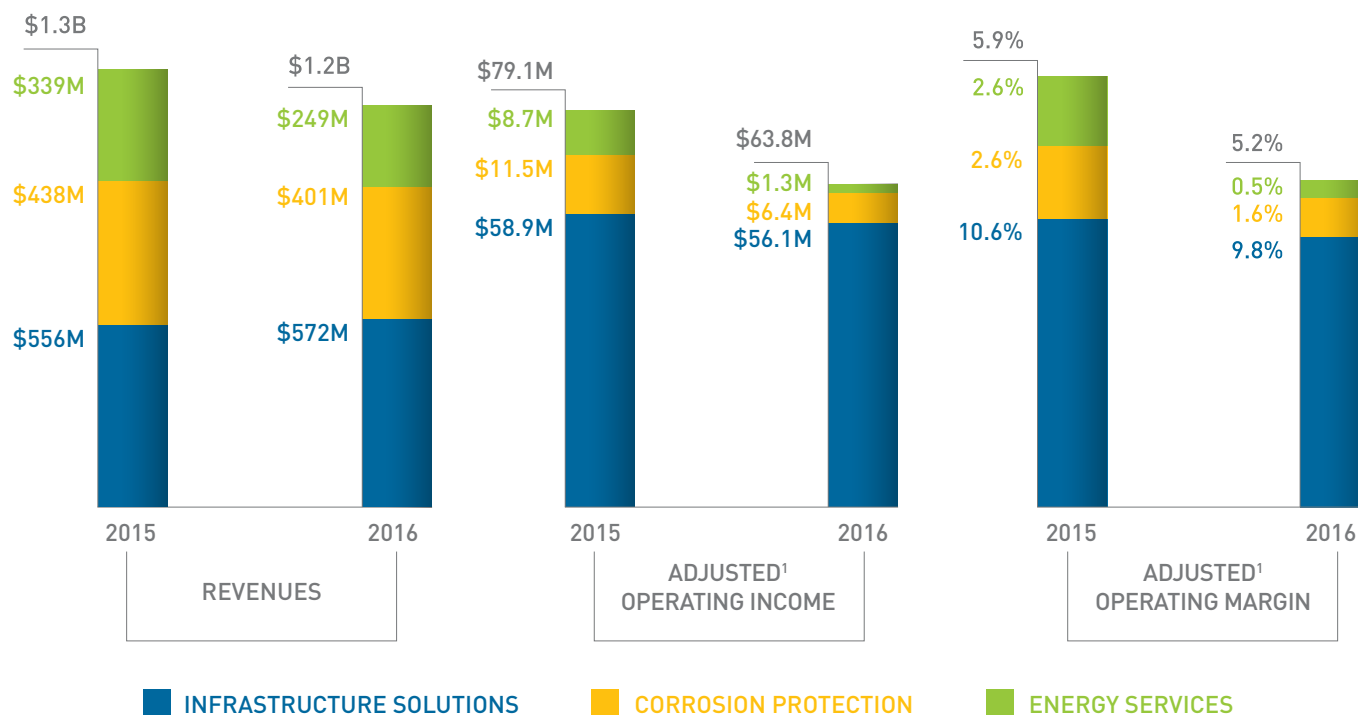


FIGURE 3

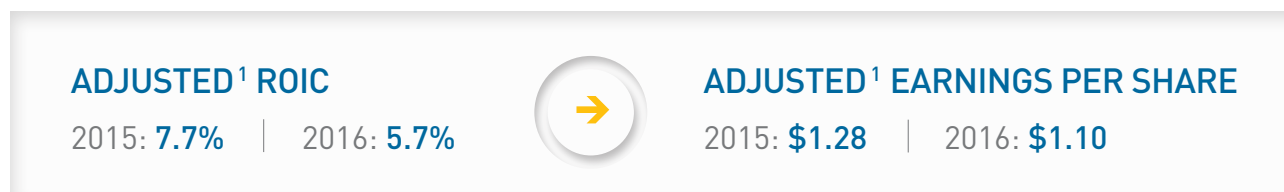


FIGURE 4

creating challenging headwinds in our energy-related markets. By successfully completing our restructuring plan, we significantly reduced the Company’s exposure to the upstream oil & gas market. To put 2016 into context, our 2015 results included approximately \$100 million in revenues from upstream activity that was downsized and divested in 2016 in response to depressed energy markets.

We also established a stronger foundation by making significant investments in our core markets and in new product innovation, both in the U.S. and abroad. We had strong results in our North American pipeline rehabilitation market. Finally, we profitably started work on the largest project in our Company’s history, demonstrating Aegion’s ability to SOLVE PROBLEMS through innovation and execution.

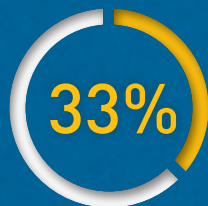
There is little margin for error when you operate in an environment where markets are under pressure. Three primary factors negatively impacted our 2016 results. First, our Corrosion Protection platform’s results reflect weak demand for its exterior field coatings services, compounded by unexpected costs associated with the execution of two large international projects. Second, the emergency large-diameter pressure pipeline work we have historically relied on failed to materialize in 2016 for our Tyfo® Fibrwrap® system. Finally, the costs associated with restructuring our upstream oil & gas business in California were greater than expected.

MUNICIPAL PIPELINE REHABILITATION

We delivered record revenues and operating income in the North American municipal wastewater cured-in-place pipe (CIPP)

¹Note: for 2016 and 2015, adjusted results, as applicable, exclude restructuring charges, goodwill impairment charges, reserves for disputed and long-dated receivables, certain litigation settlements, acquisition-related expenses, prior debt redemption expenses and joint venture and divestiture activity (non-GAAP); see reconciliation on pages A-1, A-2 and A-3.

North American Municipal Wastewater Pipe Rehabilitation



Approximately one-third of consolidated revenues in 2016

← Aegion's most profitable market →



Nearly 40 percent of consolidated adjusted¹ gross profit in 2016



WE MANUFACTURED MORE THAN 9.5 MILLION FEET OF INSITUFORM® CIPP LINERS IN NORTH AMERICA IN 2016.

FIGURE 5

market in 2016. [SEE FIGURE 5] This represents the fifth consecutive year of favorable conditions and improved financial results in that market. Execution continued to improve through higher crew utilization and strong project management. Our ongoing use of continuous improvement principles helped to lower manufacturing costs, and additional productivity-enhancing initiatives are underway to help offset likely increases in wage rates, fuel prices and oil-based raw materials costs in 2017.

The record performance generated by the Infrastructure Solutions platform in the North American municipal pipe rehabilitation market and growth in Asia-Pacific for the Tyfo® Fibrwrap® technology could not completely offset the lack of large-diameter emergency pressure pipe work and continued challenges in Europe for CIPP activity.

The investment needed for municipal pipeline rehabilitation far outweighs current funding levels. While we don't know how the new administration in Washington, D.C. will address this critical need at the national level, we believe our market-leading position and focus on execution will help us participate, should federal funding accelerate. Investments planned in 2017 will support our strategy to expand our market position in regions underserved by the Infrastructure Solutions platform in North America.

We made acquisitions for long-term growth in the municipal CIPP pressure pipe market in North America and in our municipal wastewater market in Europe during 2016.

In addition to a new pressure pipe technology, the Underground Solutions acquisition brought us a technical sales team experienced in promoting pressure pipe solutions in the North American market. We spent 2016 training this sales team on

¹Note: Adjusted results, as applicable, are defined on page 2; see reconciliation on pages A-1, A-2 and A-3.



FIGURE 6

the entire Aegion pressure pipe portfolio. Much of the growth related to pressure pipe activity in 2017 is expected to be generated by this team as pipeline rehabilitation projects move from conceptual design to the bid table.

Revenues in North America from the Tyfo® Fibrwrap® system and Fusible PVC® pipe were lower than expected in 2016. Reengineering our Tyfo® Fibrwrap® system in 2016 significantly reduced the overall cost of pressure pipe rehabilitation without impacting quality. We believe this will open up a larger North American market beyond the emergency work we have relied on in recent years that was unexpectedly lacking in 2016.

Low oil & gas prices in the first half of the year resulted in low ethylene prices, impacting our Fusible PVC® pipe sales because of lower product costs and increased price competition from

high-density polyethylene (HDPE) pipe alternatives. As we move into 2017, higher oil & gas prices have raised the cost of piping materials and reduced pricing pressure from HDPE piping alternatives.

Our investments in expanding our sales efforts in structural strengthening of North American commercial and transportation structures with our Tyfo® Fibrwrap® system paid off with solid growth in 2016, albeit from a small base. We expect additional growth in 2017.

OIL & GAS PIPELINE PROTECTION

It became clear during the summer of 2015 that a quick recovery in energy markets was not likely. An analysis of our portfolio led us to sell our joint venture stake in a pipe coating facility

OIL PRICES¹

January averages by year

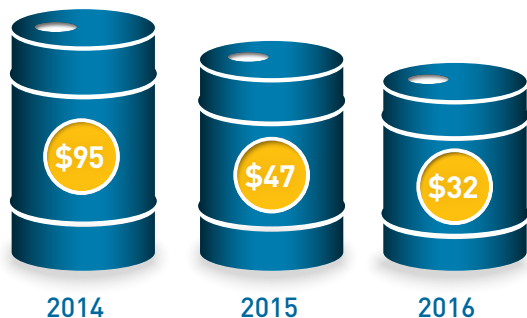


FIGURE 7

13 of 17

Our Energy Services platform has earned the lead maintenance services position at 13 out of 17 refineries on the West Coast with a differentiated offer based on a world-class safety program and high-quality productivity. Our value proposition continued to be validated in 2016 when we secured a long-term maintenance contract with an additional refinery on the West Coast.



FIGURE 9

One million miles of regulated pipelines in North America

The midstream oil & gas market, which has weathered the energy downturn better than the upstream production segment, has more than one million miles of regulated pipelines in North America that require corrosion prevention, pipeline inspection and remediation work.

CORROSION PROTECTION PLATFORM



FIGURE 8

in Western Canada and downsize our upstream operations in Central California and the Permian Basin. Exiting these high-cost markets allowed us to focus on global opportunities for upstream pipelining and field coating in what we believe will be a renewed market for oil development over time. We also initiated Company-wide cost reductions, which decreased annual costs by more than \$17 million, most of which was realized in 2016.

The price of West Texas Intermediate (WTI) crude oil had risen to between \$40 and \$50 per barrel by the fall of 2015, leading to hopes that 2016 would bring greater energy market stability and provide more opportunities for revenue and operating income growth in our Corrosion Protection platform. These hopes were dashed by early February after the monthly average price on the WTI fell to \$32 per barrel. [SEE FIGURE 7] It quickly became apparent that our customers lacked the confidence to invest, and the resulting pullback in project activity negatively impacted us throughout 2016.

The 2016 high point for the Corrosion Protection platform was the startup of a \$130 million deepwater pipe coating and insulation project, the largest project in our Company's history. The project significantly contributed to fourth quarter revenues and operating income and is expected to make a strong contribution again in 2017.

Another bright spot was the U.S. midstream oil & gas pipeline market for our cathodic protection services, which improved in 2016 and helped offset a more challenging market in Canada. We are making strategic investments in this market with the expectation of capturing more than our current share of anticipated future growth. [SEE FIGURE 8]

We used our capabilities in robotic interior weld coatings to complete the last phase of a South American mining project valued at approximately \$40 million at attractive margins. This was complemented by a solid year for cathodic protection

¹West Texas Intermediate price.

²Note: Adjusted results, as applicable, are defined on page 2; see reconciliation on pages A-1, A-2 and A-3.

THE AEGION WAY: Progress Report



Infrastructure Solutions:

Reduce days sales outstanding to < 65 days

By focusing on ways to standardize our project planning, execution and billing processes, the Infrastructure Solutions platform reduced average DSO in its North American CIPP market by 16 days to under 73 days in 2016, liberating approximately \$18 million in cash.



Energy Services:

Examine key processes to reduce costs and improve productivity

The Energy Services platform frequently employs as many as 1,000 people on a temporary basis. Application of *The Aegion Way* from May 2016 to December 2016 resulted in a 32 percent improvement to the labor requisition process. After 4 months, timekeeping accuracy and timeliness improved by 10 percent. These measures are expected to boost long-term operating income.



Corrosion Protection:

Reduce cycle time for U.S. midstream oil & gas pipeline inspections

The Corrosion Protection platform created a standard process for close interval pipeline surveys in the U.S. midstream oil & gas pipeline market and reduced cycle times by 69 percent, lowered its DSO by 2 days and liberated approximately \$1 million in cash within the first few months following implementation.

FIGURE 10

services in the United Kingdom. However, continuing market challenges in the Middle East and higher costs to complete two field coating pipe projects offset any international performance gains in 2016.

Income growth in the midstream oil & gas pipeline market and from the deepwater pipe coating and insulation project was not enough to boost the year-over-year operating income of the Corrosion Protection platform. Our 2015 results included approximately \$25 million in revenues and \$3 million in profit contribution from our Canadian pipe coating joint venture, which was sold in February 2016. We believe we saw the bottom of the energy down cycle in 2016, and a modest appetite for investment in the energy space appears to be returning as we enter 2017.

DOWNSTREAM REFINERY MAINTENANCE

The Energy Services platform had a solid year in its downstream end market on the U.S. West Coast, a fact not immediately

evident when reviewing its financial performance. This core market segment remains favorable and represents a majority of the platform's future revenues and profits. [\[SEE FIGURE 9\]](#)

Impacting the platform's results was the downsizing of nearly \$70 million of upstream revenues in Central California, representing more than 20 percent of the Energy Services platform's revenues in 2015. The downsizing took longer than expected, and costs to complete the remaining upstream projects were higher than anticipated. These actions resulted in a small loss in the first half of 2016. Improved performance in the second half of the year could not offset earlier losses. In addition, we worked on fewer refinery turnaround projects than in 2015. We expect increased refinery turnaround activity in 2017.

CASH GENERATION

We continued to improve our cash collections by reducing receivables, measured as average days sales outstanding,



FIGURE 11

by 7 days, liberating approximately \$25 million of cash. As a result, cash flow from operating activities was \$73 million, or 189 percent of adjusted net income. Operating cash flow less capital expenditures (free cash flow) of \$34 million was 89 percent of adjusted net income. Our 2016 cash metrics align closely with our long-term objectives for cash generation efficiency.

We made significant investments in 2016, spending approximately \$90 million to acquire technology capability, notably Fusible PVC® pipe, along with the international expansion of our Infrastructure Solutions platform. We also made several internal investments to bolster our solutions portfolio. I will discuss these investments in the next section of this letter. Finally, we continued to strengthen our balance sheet by reducing working capital, along with returning cash to stockholders by repurchasing approximately \$42 million worth of our common stock in 2016.

STRATEGIC PRIORITIES

Our strategic plan, announced in late 2016, identifies our financial targets through 2019 and the long-term strategic priorities we will follow to achieve them. [SEE FIGURE 11] The plan focuses on three markets: North American municipal pipe rehabilitation, midstream oil & gas pipeline cathodic protection and West Coast refinery maintenance. These three markets provide Aegion with both the scale and opportunity to generate stable long-term organic revenue and profit growth that is consistent with our strategic plan. [SEE FIGURE 12]

FOCUS ON CUSTOMERS

Our transformation to becoming a customer-focused Company continued with investments in sales process training to ensure our sales professionals understand our customers' needs and how our products and services meet them. A formal customer

Aegion's key addressable North American markets are expected to grow.



FIGURE 12

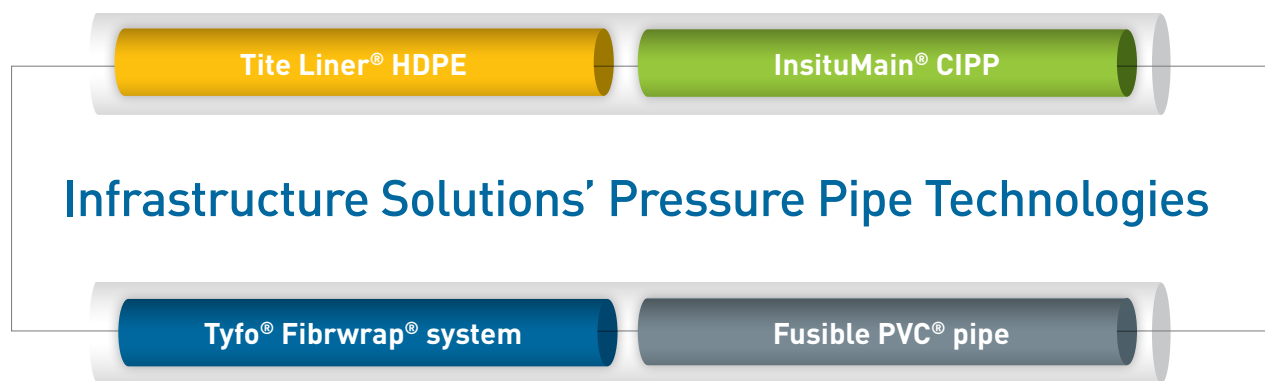


FIGURE 13

feedback process, introduced in the third quarter of 2016, supports our continuous improvement process and transition to a market-driven, customer-focused organization. Baseline findings are being used to establish go-forward customer satisfaction goals.

Two projects, one involving our Fusible® PVC pipe and the other our upgraded InsituMain® CIPP product, received Project of the Year and runner-up awards, respectively, from the Trenchless Technology publication. In addition, our Energy Services platform was singled out from thousands of suppliers to receive the highest honor at Tesoro's inaugural supplier recognition event.

[SEE FIGURE 15]

DELIVER SUSTAINABLE ORGANIC GROWTH

Innovation is required to generate the long-term organic revenue, profit and margin growth targeted in our strategic plan.

We have focused on three areas to develop innovative offers to fuel organic growth:

- **An expanded portfolio of municipal pressure pipe solutions** – The Infrastructure Solutions platform has built a unique and comprehensive portfolio of pressure pipe solutions through both R&D efforts and acquisitions. [SEE FIGURE 13]
- **Asset integrity management** – Our asset integrity management (AIM) system is part of a larger strategy by the Corrosion Protection platform to increase our share in the North American cathodic protection market by expanding the services we offer to our top 15 cathodic protection customers, which represented over 30 percent of our 2016 revenues for that line of services. [SEE FIGURE 6] While midstream pipeline inspection represents a small portion of total revenues for the Corrosion Protection platform, each dollar of pipeline inspection can lead to additional dollars in engineering, construction or pipeline remediation work.

Large-diameter pressure pipe rehabilitation →

A new breakthrough in our pressure pipe solution enabled the city of West Palm Beach, Florida to rehabilitate one mile of a failing 48-inch diameter force main that transports all of the city's wastewater to a processing plant for treatment.

Using a unique glass reinforcement and resin chemistry honed through years of research, InsituMain® CIPP adds strength, stiffness and internal corrosion protection to pressure pipelines. The \$7 million West Palm Beach pipeline project is one of several projects to benefit from the 2016 rollout of this advanced technology solution.



STRENGTHENS
& PROTECTS

FIGURE 14

TOP HONORS

PROJECTS OF THE YEAR

A Southeastern utility's project to install parallel 7,020-foot, 32-inch diameter Fusible PVC® pipe below a river bottom in an environmentally sensitive area was named *Trenchless Technology* magazine's Project of the Year for New Installations. Winning the runner-up award in the rehabilitation category was a project that involved using InsituMain® CIPP to rehabilitate a difficult-to-access steel water line in a canyon in Colorado.

ENERGY SERVICES NAMED SUPPLIER OF THE YEAR

Tesoro, an independent refiner and marketer of petroleum products, recognized an Energy Services platform business as its Supplier of the Year in 2016.

In addition to maintenance services, the Energy Services platform provides significant turnaround support for Tesoro. The Supplier of the Year is the highest award given at Tesoro's Supplier Recognition Awards program.

FIGURE 15

- **Energy Services expansion** – We intend to expand our services in mechanical and electrical maintenance, turnarounds and small capital construction at the facilities where we currently operate and at other West Coast industrial sites.

WE SOLVE PROBLEMS

One of the best ways to stimulate growth is by understanding better than anyone how to identify and SOLVE PROBLEMS. For example, the ultra-high temperature insulation technology that received Aegion's 2016 Chairman's Award for Innovation led to the largest project in our Company's history. In 2016, we also worked to improve and commercialize InsituMain® CIPP, which is now being used to rehabilitate pressure pipelines. [SEE FIGURE 14]

A cornerstone of the Energy Services platform's strategy is to be double breasted to support our California customers

as they comply with SB 54, a California state law requiring third-party refinery maintenance providers to have a state-approved apprentice training program, which trade unions provide. Our Energy Services platform supported two long-term maintenance customers by seamlessly transitioning contracts valued at \$30 million to the trades through Schultz Mechanical Contractors, Inc., which we acquired in 2015. The transition made it possible for our customers to satisfy the requirements of SB 54 with minimal disruption to their ongoing maintenance activities.

CONTINUOUS IMPROVEMENT

Our values compel us to continually strive to BE BETTER. [SEE FIGURE 16] Several internal initiatives now underway are designed to improve our cost structure and our ability to achieve sustainable organic growth.

COMMITTED TO OUR VALUES. → ∅ 🤝💡🔄★

Our five core values define the culture of our organization. Our commitment to these values drives results, guiding us to the long-term growth we seek.

FIGURE 16

A stronger foundation for Aegion's future has been built over the past two years.

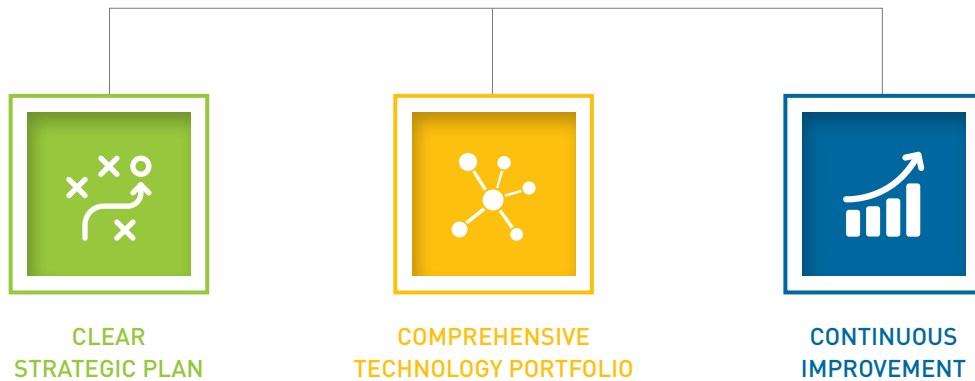


FIGURE 17

Employees throughout our Company are being trained in *The Aegion Way*, our method for continuous improvement. Based on lean principles, *The Aegion Way* is built around our core values and was launched in 2016. Looking ahead, the transformational culture change driven by this process is expected to be instrumental in improving operating efficiencies. [SEE FIGURE 10]

LOOKING AHEAD: DELIVERING ON OUR PROMISES

We began building a stronger foundation for Aegion's future two years ago. [SEE FIGURE 17] We will continue to evaluate market trends and opportunities and adapt as needed to be successful. Near-term, our focus will be on North American municipal wastewater and pressure pipe rehabilitation, midstream oil & gas pipeline cathodic protection and refinery maintenance markets.

Signs for 2017 are promising, and we will leverage the competitive strengths of our three platforms to capitalize on positive market trends. The long-term strategic plan we are implementing offers many exciting opportunities to achieve our three-year financial targets.

In short, we are committed to making Aegion a company worth watching. Our hopes for 2017 are high. We invite you to FOLLOW US.

Charles R. Gordon
President & Chief Executive Officer
Aegion Corporation

FROM LEFT TO RIGHT:

CHARLES R. GORDON
*President &
Chief Executive Officer*

STEPHEN P. CALLAHAN
*Senior Vice President,
Global Human Resources*

JOSEPH E. FOLEY
Chief Sales Officer

GARY J. WILSON
President, Energy Services



WE ARE LAYING THE GROUNDWORK FOR 2017 AND BEYOND.

Building a strong foundation — especially one that can support growth — in difficult market conditions is challenging. Aegion's management team took significant actions in 2016 to strengthen our foundation.

FROM LEFT TO RIGHT:

JOHN D. HUHN
*Senior Vice President
& Chief Strategy Officer*

GRETA N. VOSS
*President,
Corrosion Protection*

RICK N. ST. LAURENT
*Incoming President,
Energy Services*

RALPH E. WESTERN
*Senior Vice President,
Global Manufacturing
& Engineering*



WE FOCUSED ON EXECUTING OUR STRATEGIC PLAN.

Our management team shares a common goal: ensure that our Company has the processes, solutions and expertise needed to create a significant competitive advantage for us.

WE USED INNOVATION TO ENRICH OUR PORTFOLIO OF SOLUTIONS.

We invested in innovations that significantly improved our product portfolio in 2016. Each of our platforms is equipped with industry-leading solutions tailored to meet our customers' needs.

FROM LEFT TO RIGHT:

FRANK R. FIRSCHING
*President,
Infrastructure Solutions*

DAVID H. KROON
Chief Technical Officer

DAVID A. MARTIN
*Executive Vice President
& Chief Financial Officer*

DAVID F. MORRIS
*Executive Vice President,
General Counsel & Chief
Administrative Officer*



WE MADE SIGNIFICANT INVESTMENTS IN OUR CORE MARKETS.

These investments will support the growth initiatives for 2017 and beyond. All of our end markets are healthy or recovering and have a vital need for our solutions.

AEGION IS POSITIONED FOR
SUSTAINABLE ORGANIC GROWTH.
FOLLOW US.

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, 2016

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: 001-35328

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, 2016: \$677,397,618.

There were 33,791,224 shares of Class A common stock, \$.01 par value per share, outstanding at February 21, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

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

Document

Registrant's Proxy Statement for the 2017 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 for the year ended December 31, 2016 (this “Report”) 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 Report. 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 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 Report 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 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 www.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

Aegion combines innovative technologies with market leading expertise to maintain, rehabilitate and strengthen infrastructure around the world. Since 1971, we have played a pioneering role in finding transformational solutions to rehabilitate aging infrastructure, primarily pipelines in the wastewater, water, energy, mining and refining industries. We also maintain the efficient operation of refineries and other industrial facilities and provide innovative solutions for the strengthening of buildings, bridges and other structures. We are committed to Stronger. Safer. Infrastructure[®]. Our products and services are currently utilized in approximately 80 countries across six continents. We believe the depth and breadth of our products and services make us a leading provider for the world’s infrastructure rehabilitation and protection needs.

Our Company premise is to use technology to extend the structural design life and maintain, if not improve, the performance of infrastructure, mostly related to pipelines and piping systems. We have proved this expertise can be applied in a variety of markets to protect pipelines in oil, gas, nuclear, mining, wastewater and water applications and can be extended 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 wide-ranging. We have a long history of product development and intellectual property management. We manufacture many of the engineered solutions we offer to customers 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 in our core 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 over 40 years we have maintained our leadership position in the CIPP market from manufacturing to technological innovations and market share.

We embarked on a diversification strategy in 2009 to expand our product and service portfolio into the oil and gas markets and our geographic reach. Through a series of strategic initiatives and key acquisitions, we possess a broad portfolio of cost-effective solutions for rehabilitating and maintaining aging or deteriorating infrastructure, protecting new infrastructure from corrosion and providing integrated professional services in engineering, procurement, construction, maintenance and turnaround services for oil companies, primarily in the downstream market. Today, our long-term strategy is to invest in our core end markets for organic growth and acquire innovative technologies to enhance our competitive position.

Our Segments

We have three operating segments, which are also our reportable segments: Infrastructure Solutions, Corrosion Protection and Energy Services. Our operating segments correspond to our management organizational structure. Each operating segment has leadership that reports to our chief executive officer, who is also the chief operating decision manager (“CODM”). The operating results and financial information reported by each of the segments are evaluated separately, reviewed regularly and used by the CODM to evaluate segment performance, allocate resources and determine management incentive compensation. See Note 14 to the consolidated financial statements contained in this Report for further discussion regarding our segments.

Infrastructure Solutions – The majority of our work is performed in the municipal water and wastewater pipeline sector and while the pace of growth is primarily driven by government funding, the overall market demand provides the opportunity for long-term stable growth for our market leading product brands, Insituform[®] CIPP, Tyfo[®] Fibrwrap[®] and Fusible PVC[®].

Corrosion Protection – Investment in North America’s pipeline infrastructure is required to transport product from onshore and offshore oil and gas fields to its proper end markets. Corrosion Protection has a broad portfolio of technologies and services to protect and monitor pipelines from the effects of corrosion, including cathodic protection, interior pipe linings, interior and exterior pipe coatings and insulation, as well as an increasing offering of inspection and repair capabilities. We provide solutions to customers to enhance the safety, environmental integrity, reliability and compliance of their pipelines in the oil and gas market.

Energy Services – With the continued development of its conventional oil and gas reserves, North America will likely be price competitive with the rest of the world for refinery and petrochemical feedstocks. In this context, Energy Services offers a unique value proposition based on its world class safety and labor productivity programs, which allow us to provide cost effective maintenance, turnaround and construction services at the refineries and petrochemical and other industrial facilities of our customers.

Our Long-Term Strategy

We are committed to being a valued partner to our customers. We are focused on expanding those relationships by improving execution while also developing or acquiring innovative technologies and comprehensive services to enhance our capabilities to solve complex infrastructure problems. We are pursuing three primary strategic initiatives:

Municipal Pipeline Rehabilitation – The fundamental driver in the global municipal pipeline rehabilitation market is the growing gap between the need and current spend. While we do not expect the spending gap to close any time soon, the increasing need for pipeline rehabilitation supports a long-term sustainable market for the technologies and services offered by our Infrastructure Solutions segment. We are committed to maintaining our market leadership position in the rehabilitation of wastewater pipelines in North America using our cured-in-place pipe technology, the largest source of Aegion’s consolidated revenues. We are also seeking to create a diverse portfolio of trenchless technologies to rehabilitate aging and damaged municipal pipelines. The focus today is growing our presence in the rehabilitation of pressure pipelines through both internal development and acquisitions. On February 18, 2016, we acquired Underground Solutions, Inc. and its subsidiary, Underground Solutions Technologies Group, Inc. (collectively, “Underground Solutions”), adding its patented Fusible PVC[®] pipe technology to our portfolio, which includes Insituform[®] CIPP, Tyfo[®] Fibrwrap[®] fiber-reinforce polymer (“FRP”) and Tite Liner[®] high-density polyethylene liner. Our international strategy is to use a blend of third-party product sales as well as CIPP and FRP contract installation operations in select markets. A key to the success of this strategy is a continuing focus on improving productivity to reduce costs and increase efficiencies across the entire value chain from engineering, manufacturing and installation of our technology-based solutions.

Midstream Pipeline Integrity Management – There are over one million miles of regulated pipelines in North America, which remains the safest and most cost effective mode of oil and gas transmission. Within our Corrosion Protection segment, we design and install cathodic protection systems to help prevent pipeline corrosion, which represents a majority of the revenues and profits for the segment. We also provide inspection services to monitor these systems and detect early signs of corrosion. We are making investments to create an asset integrity management program designed to increase the efficiency and accuracy of the pipeline corrosion assessment data we collect and upgrade how we share this valuable information with customers. We seek to improve customer regulatory compliance and add new services in the areas of data validation, advanced analytics and predictive maintenance.

Downstream Refining and Industrial Facility Maintenance – Through our Energy Services segment, we have long-term relationships with refinery and industrial customers on the United States West Coast. Our objective is to leverage those relationships to expand the services we provide in mechanical maintenance, electrical and instrumentation services, small capital construction and shutdown (or “turnaround”) maintenance activity. There are

opportunities in other industries on the West Coast such as pipelines and terminals, chemicals, industrial gas and power to leverage our experience in maintenance and construction services.

Aegion is committed to improving as a company, for the benefit of our stockholders, customers and employees, and charting the right course for future growth. In 2015, we formalized a set of five core values across the Company to guide us toward our mission to keep infrastructure working better, safer and longer for customers throughout the world. These five core values are:

Zero Safety Incidents are Possible.

Do What's Right.

We Solve Problems.

Results Matter.

Be Better.

In 2016, we introduced *The Aegion Way*, an initiative founded on the proven LEAN principles of continuous improvement, which utilize scientific methods and individual accountability to continuously eliminate waste, errors, redundancies and inefficiencies. *The Aegion Way* guides our employees on how to live our values, especially our efforts to be better and solve problems.

Our Products and Services

Today our diverse portfolio of full service solutions includes:

Rehabilitation of Water and Wastewater Pipelines with CIPP Products – Through our Infrastructure Solutions segment, 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 methods for pipe repairs. We have maintained our leadership position in the CIPP market through our ISO 9001:2008 certified manufacturing and technological innovations for the past 40 years. Our Insituform[®] portfolio of products and services are utilized worldwide.

Fusible Polyvinyl Chloride Products for Rehabilitation – Underground Solutions' patented fusible polyvinyl chloride products focus on the rehabilitation of pressure pipelines, primarily in North America. Underground Solutions uniquely complements Infrastructure Solutions' existing pressure pipe rehabilitation technologies (InsituMain[®], InsituGuard[®] and Tyfo[®]/Fibrwrap[®]) and increases Aegion's presence in the pressure pipe market.

Fiber Reinforced Polymer Systems for Rehabilitation and Strengthening – 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 pipelines currently make up the most significant share. One of the key features of the Tyfo[®] Fibrwrap[®] FRP technology is its capability to withstand seismic and force loads, providing a unique advantage over conventional rehabilitation methods. Fibrwrap[®] FRP systems consist of the proprietary 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[®] FRP 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 FRP business is in North America, where we believe there is a growing addressable market, there is an increasing acceptance of our products and services internationally, with particular focus in Southeast Asia.

Cathodic Protection for Corrosion Engineering Control and Infrastructure Rehabilitation – Through our Corrosion Protection segment, we offer cathodic protection solutions, 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. We also offer 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 subsidiary, Hockway Middle East FZE ("Hockway"), our joint venture in Saudi Arabia and our branch office in Abu Dhabi, we have an expanded presence of cathodic protection capabilities in the Middle East. Hockway offers a complete

cathodic protection solution from initial investigative surveys through engineering design, manufacture of equipment, site installation and commissioning of systems with subsequent planned operational inspection and maintenance. More recently, we have invested to enhance our pipeline inspection services through the internal development of an asset integrity management program, which is designed to digitize the critical pipeline data we gather and efficiently transmit, store and display the results to our customers.

Pipe Coatings for Corrosion and Thermal Control and Prevention – We provide products and services to protect pipes from corrosion and to provide flow assurance primarily for the oil and gas industries. We accomplish this through external and internal pipe 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. Additionally, we provide 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.

HDPE Pipe Lining for Corrosion Control, Abrasion Protection and Pipeline Rehabilitation – We provide polyethylene pipe lining solutions to the oil and gas, mining and chemical pipeline markets. Our 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 on expanding our presence in key end markets with sustainable capital spend on oil, gas and mining activities.

Our cathodic protection capabilities, lining and coating products are applicable worldwide in the oil, gas and mining markets, with a focus on the Gulf of Mexico, Western Canada, the United States, Europe, the Middle East, South America and other regions within Latin America.

Construction and Maintenance of Oil and Gas Facilities – Through our Energy Services segment, which operates as Aegion Energy Services, we are a leading integrated service provider of maintenance, construction, engineering and turnaround activities for the oil and gas markets. Focused on serving large oil and gas customers on the United States West Coast, primarily California, Energy Services offers an 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 Energy Services to meet the growing demand for non-discretionary operating and maintenance expenditures.

Strategic Initiatives and Key Acquisitions

Acquisitions

Our recent acquisition strategy has focused on the world’s aging infrastructure and the investment needed to maintain infrastructure in North America and overseas. During 2016, we targeted strategic acquisitions in the infrastructure sector by:

- i. adding patented Fusible PVC® pipe technology to our pressure pipe rehabilitation portfolio through the acquisition of Underground Solutions;
- ii. expanding our CIPP presence in Europe by acquiring the CIPP contracting operations of Leif M. Jensen A/S (“LMJ”), a Danish company and the Insituform licensee in Denmark since 2011;
- iii. gaining the remaining worldwide rights that we did not already own to market, manufacture and install the patented Tyfo® Fibrwrap® FRP technology by acquiring the operations and territories of Fyfe Europe S.A. and related companies (“Fyfe Europe”); and
- iv. expanding our FRP presence in Asia Pacific through the acquisition of Concrete Solutions Limited (“CSL”) and Building Chemical Supplies Limited (“BCS”), two New Zealand-based companies and the Fibrwrap® certified applicators in New Zealand since the late 1990’s (collectively, “Concrete Solutions”).

See Notes 1 and 2 to the consolidated financial statements contained in this Report for additional information and disclosures regarding our acquisitions.

Restructuring Activities

2016 Restructuring

On January 4, 2016, our board of directors approved a restructuring plan (the “2016 Restructuring”) to reduce our exposure to the upstream oil markets and to reduce consolidated expenses. During the year, we completed our 2016 Restructuring,

which (i) repositioned Energy Services' upstream operations in California, (ii) reduced Corrosion Protection's upstream exposure by divesting our interest in Bayou Perma-Pipe Canada, Ltd. ("BPPC"), our Canadian pipe coating joint venture, (iii) right-sized Corrosion Protection to compete more effectively and (iv) reduced corporate and other operating costs. The 2016 Restructuring reduced consolidated annual costs by approximately \$17.4 million, of which approximately \$1.2 million, \$6.6 million and \$5.6 million related to recognized savings within Infrastructure Solutions, Corrosion Protection and Energy Services, respectively, and \$4.0 million related to reduced corporate costs. Cost savings were achieved primarily through office closures and reducing headcount by approximately 964 employees, or 15.5% of our total workforce as of December 31, 2015.

During 2016, we recorded pre-tax charges of \$16.1 million (\$10.3 million after tax), most of which were cash charges, consisting primarily of employee severance and benefits, early lease terminations and other costs associated with the restructuring efforts as described above. We do not expect to incur any future charges related to the 2016 Restructuring.

2014 Restructuring

On October 6, 2014, our board of directors approved a restructuring plan (the "2014 Restructuring") to improve gross margins and profitability over the long-term by exiting low-return markets and reducing the size and cost of our overhead structure. The 2014 Restructuring generated annual operating cost savings of approximately \$10.8 million and consisted of approximately \$8.4 million and \$2.4 million of recognized savings within Infrastructure Solutions and Corrosion Protection, respectively. We achieved these cost savings by (i) exiting certain unprofitable international locations for our CIPP business and consolidating our worldwide FRP business with the global CIPP business, all of which is in Infrastructure Solutions; and (ii) eliminating certain idle facilities in our pipe coating and insulation operation in Louisiana, which is in Corrosion Protection.

We have substantially completed all of the aforementioned objectives related to the 2014 Restructuring. Total headcount reductions were 86 as of December 31, 2016. Remaining headcount reductions and cash costs related to the 2014 Restructuring are not expected to be material. We expect to incur additional non-cash charges in 2017, primarily related to the potential release of cumulative currency translation adjustments resulting from the restructured locations as well as the foreign currency impact from settlement of inter-company loans. All such charges will be recognized in Infrastructure Solutions.

See Notes 1 and 3 to the consolidated financial statements contained in this Report for a detailed discussion regarding strategic initiatives and restructuring efforts.

Divestitures

Through our restructuring efforts to exit higher-risk, low return markets and streamline our operations, we have divested certain businesses in our Infrastructure Solutions and Corrosion Protection segments during 2016, 2015 and 2014:

- i. In February 2016, we sold our fifty-one percent (51%) interest in BPPC to our joint venture partner, Perma-Pipe, Inc. BPPC served as our pipe coating and insulation operation in Canada. The sale of our interest in BPPC was part of a broader effort to reduce our exposure in the North American upstream market in light of expectations for a prolonged low oil price environment.
- ii. In February 2015, we sold our wholly-owned subsidiary, Video Injection - Insituform SAS ("VII"), our French CIPP contracting operation, to certain employees of VII; and in December 2014, we sold our wholly-owned subsidiary, Ka-te Insituform AG ("Ka-te"), our Swiss CIPP contracting operation, to Marco Daetwyler Gruppe AG, a Swiss company.
- iii. In March 2014, we sold our forty-nine percent (49%) interest in Bayou Coating, L.L.C. ("Bayou Coating") to Stupp Brothers Inc., the holder of the remaining fifty-one percent (51%) interest in Bayou Coating.

See Note 1 to the consolidated financial statements contained in this Report for a detailed discussion regarding strategic initiatives and divestitures.

Available Information

Our website is Aegion.com. We make available on this website (under "Investors" and then under "SEC Information"), 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" and then under "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 (including Insitupipe® and Insitutube®) 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, steam, or ultraviolet light, 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® pipe rehabilitation processes are methods of rehabilitating transmission and distribution water mains using HDPE liners. Inserted into a new or existing pipeline using 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 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.

Slip lining is a method used to push or pull a new pipeline into an old one. With segmented slip lining, 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 CIPP 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 Fusible PVC® technology contains proprietary polyvinyl chloride formulation that, when combined with its patented fusion process, results in a monolithic, fully-restrained, gasket-free, leak-free piping system. Fusible PVC® pipe products include, Fusible C-900®, Fusible C-905® and FPVC®. Fusible C-900® and Fusible C-905® both comply with the AWWA standards AWWA C900 and C905, respectively, and are certified to NSF 61.

Our ServiceGuard® composite pipe product combines the performance benefits of chlorinated polyvinyl chloride with the strength and durability of an aluminum core to offer the ultimate water service line pipe.

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. Beyond general strengthening of structures, these processes and products also have application in blast mitigation and seismic reinforcement.

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 rows of carbon fibers for strengthening bridges, buildings and other structures.

Our FibrPipeWrap® product and process relates to construction and civil engineering material utilizing hybrid fiber/epoxy composites used for retrofitting or repairing structures.

See “Patents and Proprietary Technologies” below for more information concerning certain of these technologies.

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 the 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 Deepwater Pipe Coating and Insulation capabilities answer the challenge of subsea wet insulation requirements for high-pressure and high-temperature environments.

Our 3-Layer Polyethylene Coating and 3-Layer Polypropylene Coating offerings are intended for use as an external coating for buried or submerged oil or gas pipelines and offer superior adhesion, cathodic disbondment resistance and mechanical protection.

Our 5-Layer Polypropylene Coating offer is one of our insulating coating solutions that provides superior thermal insulation and mechanical protection for high-temperature pipelines in deepwater environments.

Our Concrete Coatings provide submerged weight stability and protect the external corrosion protective coating on pipelines installed offshore and at other water crossings such as swamps or bays.

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 (i.e., 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.

Our Asset Integrity Management platform allows for the collection, communication and storage of data in a GIS-based, centralized, integrated repository that provides us and our customers more timely information and improved data analytics.

See “Patents and Proprietary Technologies” below for more information concerning certain of these technologies.

Energy Services

Our DelayTrak[™] system identifies delays in real time. The data is used to identify and quickly communicate improvement opportunities and, later, action plans for improvement.

Our TimeTrak[™] system tracks how time is spent by crews on a jobsite. The data is used to drive process improvements in routine maintenance.

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 pipeline rehabilitation activities are conducted principally through installation and other construction operations performed directly by our subsidiaries.

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 nine 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 a wholly-owned 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 internationally.

In certain geographic regions, we have granted licenses to our trenchless rehabilitation processes 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.

In addition to sewer pipeline rehabilitation, we have performed water pipeline 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[®] and InsituFold[®] lining systems.

Our infrastructure rehabilitation operations also utilize FRP to rehabilitate and strengthen pipelines, buildings, bridges, tunnels, industrial developments and waterfront structures throughout the United States and Canada through Fibrwrap Construction Services, headquartered in San Diego, California. We also design and manufacture the FRP composite systems used in these applications. We service the European and Middle Eastern FRP markets, primarily with respect to product and engineering services but also, in certain instances, applications services, through our wholly-owned subsidiaries in the United Kingdom. We service the Asia-Pacific FRP market, with respect to both product and engineering services as well as application services, through our wholly-owned subsidiaries in Singapore, Japan, Malaysia, Hong Kong and New Zealand and through our joint ventures in Borneo, Korea and Indonesia. Finally, we have granted licenses to our proprietary FRP products and processes to unaffiliated companies in certain additional geographic regions, as described in under “Ownership Interests in Operating Licensees and Joint Ventures” below.

Our acquisition in February 2016 of Underground Solutions bolstered our capabilities with respect to water pipeline rehabilitation operations. We are now able to provide additional infrastructure technologies for water, sewer and conduit applications, primarily Fusible PVC[®] pipe, which when combined with its patented fusion process, results in a monolithic, fully-restrained, gasket-free, leak-free piping system.

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 and conducted through our various subsidiaries (Corrpro based in Houston, Texas, United Pipeline Systems based in Durango, Colorado, Bayou based in New

Iberia, Louisiana and Aegion Coating Services, LLC (“ACS”) based in Tulsa, Oklahoma and 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 Mexico, Oman and Saudi Arabia.

Our Corpro 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, and weighting and insulation services, including project management and logistics. Our ACS business specializes in the application of internal corrosion coatings services, provision of external field joint anti-corrosion coating services, and the supply of equipment, all for pipeline construction projects onshore and offshore in locations around the world.

Energy Services Operations

Aegion Energy Services is based in Irvine, California and performs construction, maintenance and turnaround services, primarily for the downstream oil and gas industry. Aegion Energy Services’ operations are located in California and Washington. We specialize 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. We provide project management professionals across various disciplines, including chemical, civil, structural, mechanical, electrical, instrumentation, project controls, estimating, procurement and safety. AllSafe Services, Inc., a wholly-owned subsidiary of Aegion Energy Services, 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 CIPP 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 Fyfe joint ventures in Borneo, Korea and Indonesia provide design, product and engineering support to installers and applicators of the FRP systems in Asia-Pacific. Our joint ventures in 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.

With regard to our Underground Solutions business, we have granted licenses to our Fusible PVC[®] pipe products and fusion processes internationally covering exclusive and non-exclusive territories to non-affiliated licensees that provide fusible polyvinyl chloride products and services. The licenses generally grant to the licensee, in exchange for royalties at a specified rate, the right to utilize our know-how and the patent rights (where such rights exist) relating to the subject products and processes, and to use our copyrights and trademarks. Underground Solutions also licenses domestically its patented technology to third party extruders and installers.

Ownership Interests in Operating Licensees and Joint Ventures

We hold controlling interests in Fyfe/Fibwrap joint ventures in Borneo, Korea and Indonesia. Through our wholly-owned subsidiary, Fyfe Asia Pte. Ltd., we hold (i) a fifty-one percent (51%) equity interest in 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 Fibwrap Indonesia, with the other forty-five percent (45%) equity interest held by PT Graha Citra Anugerah Lestari. Through our wholly-owned subsidiary, Fyfe Limited (Hong Kong), we hold a seventy percent (70%) equity interest in Fibwrap ENC Korea Ltd, with the other thirty percent (30%) equity interest held equally by Sang Jung Suh and Gyu Gon Cho.

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, Aegion Holding Company, LLC, we hold a fifty-one percent (51%) equity interest in Bayou Wasco Insulation, LLC 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, Corrpro Canada, Inc., we hold a seventy-percent (70%) equity interest in Corppower International Limited based in Saudi Arabia, through which we 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 Saudi Trading & Research Co., Ltd., based in Al-Khobar, Saudi Arabia.

Through our subsidiary, Insituform Technologies Netherlands B.V., we hold a fifty-one percent (51%) equity interest in United Special Technical Services LLC 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 Special Technical Services LLC.

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

We seek out and develop innovative solutions for asset preservation, including pipelines, buildings, bridges, tunnels and other infrastructure. To that end, three years ago, we introduced a stage-gate process for management of our research and development initiatives. The process is executed under the direction of our Chief Technical Officer with a market and business impact evaluation at each gate review. Corporate resources, and resources that reside in the business units, make up the specific research and development teams, supplemented, where beneficial, by our technology partners (often major suppliers), outside consultants and academic institutions. During the years ended December 31, 2016, 2015 and 2014, we spent \$4.7 million, \$2.6 million and \$2.6 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, utilities, maritime and defense. Our products and services are currently utilized and performed in approximately 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 commercial customers. We offer our other infrastructure rehabilitation products worldwide to certain certified third-party installers and applicators and market our installation services to municipal, state, federal and commercial customers worldwide. We offer our energy services solutions primarily to the oil and gas markets on the West Coast. No customer accounted for more than 10% of our consolidated revenues during the years ended December 31, 2016, 2015 or 2014.

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, present at conferences 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. We assume that these signed contracts are funded. For government or municipal contracts, our customers generally obtain funding through local budgets or pre-approved bond financing. We generally do not undertake a process to verify funding status of these contracts and, therefore, cannot reasonably estimate what portion, if any, of our contracts in backlog have not been funded. However, we have 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.

In accordance with industry practice, substantially all of our contracts are subject to cancellation, termination or suspension at the discretion of the customer. Contracts in our backlog are subject to changes in scope and of services to be provided as well as adjustments to the costs relating to the contracts. Accordingly, backlog is not necessarily indicative of our future revenues or earnings.

Included within backlog for Energy Services are amounts that represent 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.

Included within backlog for Infrastructure Solutions and Corrosion Protection are certain contracts that are performed through our variable interest entities in which we own a controlling portion of the entity. With the exception of Energy Services, 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 generally enters into cost reimbursable contracts that are based on costs incurred at agreed upon contractual rates.

For additional information regarding our backlog including those risk factors specific to backlog, please refer to “Risk Factors” in Item 1A, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 below.

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 global 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 long-term or, in certain instances, 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.

With regard to Underground Solutions, we have qualified and utilize three third-party extruders to toll manufacture our Fusible PVC[®] pipe 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 our 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

Corrpro businesses include zinc, aluminum, magnesium and other metallic anodes, as well as wire and cable. We maintain relationships with multiple 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 ACS businesses are derived principally from internal and external pipeline coating, lining, weighting and insulation. Facilities are located in New Iberia, Louisiana; Tulsa, Oklahoma; and Conroe, Texas. 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. However, in certain limited circumstances, our customer has required use of a specific material available from only a single source.

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, 2016, we held 39 United States patents relating to the Insituform[®] CIPP process. As of December 31, 2016, we had six pending United States 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, 2016, there were 102 issued foreign patents and utility models relating to the Insituform[®] CIPP processes, and 18 applications pending in foreign jurisdictions. Of the applications pending in foreign jurisdictions, one is a Patent Cooperation Treaty (“PCT”) application that covers most jurisdictions throughout the world. 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.

As of December 31, 2016, we held 17 United States patents, two pending United States patents, 31 foreign patents and five pending foreign patents with regard to Fusible PVC[®] pipe products and fusion processes as well as other infrastructure technologies for water, sewer and conduit applications that relate to our Fusible PVC[®] pipe lining business operated through Underground Solutions.

As of December 31, 2016, we held 20 issued patents and eight pending patent applications in the United States and seven issued patents and 16 pending patent applications in foreign jurisdictions that relate to our Fibrwrap[®] FRP strengthening business operated through our Fyfe and Fibrwrap subsidiaries. Of these applications, one is a PCT application that covers multiple jurisdictions in Europe and throughout the world.

For our corrosion protection operations, as of December 31, 2016, we held eight issued patents and two pending patent applications in the United States and six issued and seven pending 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 ACS subsidiary. As of December 31, 2016, we had four issued patents and one pending patent application in the United States, and six issued patents and nine pending patents in foreign jurisdictions that relate to the Tite Liner[®] process. Of the foreign applications, one is a European regional application which covers all of Europe. 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. As of December 31, 2016, we have no issued patents and one pending patent application in the United States, and no patents and three pending applications in foreign jurisdictions for our pipeline coatings process operating through our Bayou subsidiaries. One of the foreign applications is a PCT application which covers most jurisdictions throughout the world. The success of our pipeline coatings process 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.

In some instances throughout each of our three platforms, 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 such trade secrets. 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.

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. Many of our products and services 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 one of the preferred rehabilitation methods. 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, we believe CIPP is utilized in less than five percent of water pipeline rehabilitation projects in the United States. Because this is a 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 the pressure pipe market, our Fusible PVC[®] products compete against other more-traditional products, such as high density polyethylene and restrained joint PVC pipe products.

In our infrastructure rehabilitation business, the FRP process competes against traditional methods of structural retrofitting, but is gaining acceptance in the construction and retrofitting industry. With its proprietary technologies relating to both products and application, Fyfe Co. is a leader in the FRP market and Fibrwrap Construction, having successfully performed installations of FRP systems for 25 years, is one of the most experienced installers of the FRP system and has a well-established reputation. In this field, there are 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 Report (ESR-2103), indicating product approval by the International Building Code and compliance with ICC-AC125 guidelines for FRP strengthening. Because of the 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, Corpro 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, Corpro 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. Corpro'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 Corpower joint venture, we are expanding our position as a leader in cathodic protection in the Middle East.

The process of utilizing HDPE liners is a prevalent method used to protect pipelines servicing the energy and mining industries. United Pipeline Systems is recognized as a leader in the HDPE market, having provided HDPE solutions on six continents. Due to barriers to entry arising from necessary technological capabilities, United Pipeline Systems mainly competes 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 FBE and insulation coating market in the Gulf South of the United States. 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 beyond 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. In recent years, Bayou has achieved differentiation in certain pipe coating and

insulation applications through the development of our deepwater pipe coating and insulation capabilities described above under “Patents and Proprietary Technologies”.

ACS has strong presence in the field of FBE coating and is an industry leader in both inner diameter robotic coatings and outer diameter coatings. Because of these specialized fields, ACS usually competes with a small number of specialty providers.

Our Energy Services segment operates in a fragmented and intensely competitive field of plant maintenance and construction services in the downstream oil refining industry, as well as performing work in the industrial and natural gas, gas processing and compression markets. Competitors may be local, regional or national contractors and service providers and vary with the markets that are served, with few competitors competing in all of the geographic markets we serve or offering 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 our competitors 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, 2016, we had approximately 5,150 employees. Certain of our subsidiaries are parties to collective bargaining agreements covering an aggregate of approximately 1,700 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 and licensing 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, Insituform’s full range of water pipe lining products and Underground Solutions’ Fusible C-900[®] and Fusible C-905[®] 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 Report 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 can place downward pressure on our contract prices and profit margins. Intense competition is expected to continue 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 one of the preferred methods. In this 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. As such, we compete with many smaller firms on a local or regional level and with several larger firms on the global and national levels. In water rehabilitation, where there are more significant barriers to entry because the market is strictly regulated, we compete with a smaller number of specialty contractors around the world. Further, our Fusible PVC[®] pipe products compete against other more traditional products, such as high density polyethylene and restrained joint PVC pipe products.

In the infrastructure rehabilitation portion of our Infrastructure Solutions segment, the FRP process competes against traditional methods of structural retrofitting. 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. However, with respect to 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.

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, potential customers and other third parties and limit access to and distribution of our trade secrets and other proprietary information. However, 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 development and enhancement 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 operate and 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.
- Assumption of contracts with terms, including, without limitation, terms relating to liability, waiver of damages and indemnification, that are not in line with our normal contracting practices.
- 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 for reasons separate and apart from the specific risks set forth above.

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, 2016 was approximately \$689.6 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, 2016, approximately 69% 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, currency fluctuations 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 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 and sustained 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 the prices of mined materials, oil and natural gas 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 California legislation related to downstream work performed in California refineries.

Aegion Energy Services 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. Aegion Energy Services currently has long term contracts in place with many of its major downstream clients, but its operations may be adversely impacted to become fully compliant with, or as a result of, 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 have an adverse effect on our business, financial position or results of operations.

In connection with the recent changes in the U.S. federal government, including the change of administrations following the elections in November 2016, we face significant risks associated with uncertainties due to potential changes to policies and laws proposed or discussed by the new administration and changes to infrastructure spending.

We cannot currently reliably predict how the recent changes in the U.S. federal government, including the change of administrations, may affect our business. In connection with these changes, potentially significant changes to various laws and regulations have been proposed or discussed that may affect us in a material manner. These uncertainties may include changes in laws and policies in areas such as energy, corporate taxation, taxation on existing or future foreign profits, international trade, environmental protection laws, labor and employment law, immigration and health care, which individually or in the aggregate could materially, and potentially adversely, affect our business, results of operations or financial condition. Additionally, changes to infrastructure spending may also affect our business, results of operations or financial condition.

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, 2016, 2015 and 2014, approximately 24.3%, 27.6%, and 30.4%, 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 continuation of depressed oil 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, procedures and controls 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 continue to be weak and may deteriorate further. For example, the June 2016 referendum by British voters to exit the European Union (commonly referred to as "Brexit") has created significant uncertainties affecting the economy and business operations, including our operations, in the United Kingdom and the European Union. The terms and timing of Brexit have not yet been confirmed, and as such, it is difficult to predict the effect of Brexit on our Company and our operations in the United Kingdom, including our manufacturing facility in Wellingborough, United Kingdom, which distributes liners to the European Union and elsewhere. Brexit could, among other things, affect the legal and regulatory schemes to which our operations in the United Kingdom are subject, adversely affect trade between the United Kingdom and the European Union and continue to cause economic uncertainty. 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 is another 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 Aegion Energy Services business has approximately 2,500 employees, approximately 1,600 of which 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. Although none of our Brinderson employees participate in multi-employer benefit plans, our Schultz employees currently participate in nine multi-employer benefit plans, which may increase in the future. Participation in multi-employer benefit plans may result in liability to Aegion Energy Services in excess of that directly attributable to employees of Aegion Energy Services.

Additionally, the employees of some of our customers are unionized, especially the customers of our Aegion Energy Services 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 its inputs, including styrene and oil. We anticipate that prices will continue to be heavily influenced by the events affecting these inputs, including 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 effect 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 effect on our operations. Further, because we utilize a limited number of extruders to toll manufacture our Fusible PVC[®] pipe products, we could be adversely affected if one or more of these extruders is unable to continue to toll manufacture our Fusible PVC[®] pipe products.

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, tornadoes, 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 Aegion Energy Services 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 Infrastructure Solutions segment 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 benefits of the 2014 Restructuring and the 2016 Restructuring may differ from those currently expected, which may affect our operating results.

On October 6, 2014, our board of directors approved the 2014 Restructuring to improve gross margins and profitability over the long-term. The 2014 Restructuring is substantially complete. On January 4, 2016, our board of directors approved the 2016 Restructuring, which was intended to reduce our exposure to the upstream oil markets and to reduce consolidated expenses. We completed the 2016 Restructuring in 2016. The actual ongoing and long-term benefits of the 2014 Restructuring and the 2016 Restructuring may differ from those currently anticipated. If that is the case, our business and results of operations may be adversely impacted. We also cannot assert that we will not undertake additional restructuring activities in the future.

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 further 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 credit facility.

In October 2015, the Company amended and restated its \$650.0 million senior secured credit facility (the "Credit Facility") with a syndicate of banks. 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, 2016, 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 in the past few years 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 the federal or state governments that impact regulation and spending regarding energy and infrastructure;
- 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, 2016, 33,956,304 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.

Our amended and restated by-laws designate the state courts of Delaware or, if no such state court has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of claims that may be initiated by our stockholders, which could discourage lawsuits against Aegion and Aegion's directors and officers.

Our amended and restated by-laws provide that, unless waived by Aegion, the state courts of the State of Delaware or, if no state court located in the State of Delaware has jurisdiction, the federal court for the District of Delaware, will be the sole and exclusive forum for any claims brought by a stockholder (including a beneficial owner) (i) that are based upon a violation of a duty by a current or former director or officer or stockholder in such capacity or (ii) as to which the Delaware General Corporation Law confers jurisdiction upon the Delaware Court of Chancery. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with Aegion or Aegion's directors or officers, which may discourage such lawsuits against Aegion and Aegion's directors and officers. Alternatively, if a court outside of Delaware were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we could incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

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. In situform 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.

Underground Solutions, our wholly-owned subsidiary, leases office and warehouse space in California and Pennsylvania, and also leases pipe storage space in North Dakota and South Carolina.

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

Corrpro, our wholly-owned subsidiary, owns certain office and warehouse space in Medina, Ohio as well as a manufacturing and warehouse facility in Sands Springs, Oklahoma. Its subsidiary, Corrpro Canada Inc., also owns certain premises in Edmonton, Alberta, Canada used for office and warehouse space. In addition, our Corrpro subsidiary in the United Kingdom, Corrpro 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 220 acres from the Port of Iberia and other property owners in Louisiana, of which certain portions have been subleased to our other Bayou subsidiaries.

ACS, another wholly-owned subsidiary, owns certain premises in Conroe, Texas that are used as office space and operational facilities.

Our wholly-owned subsidiary, Aegion Energy Services, leases an office in Irvine, California for its headquarters and, along with Brinderson and Schultz, also leases various operational facilities throughout California and Washington.

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	58	President and Chief Executive Officer
David F. Morris	55	Executive Vice President, Chief Administrative Officer, General Counsel and Secretary
David A. Martin	49	Executive Vice President and Chief Financial Officer
John D. Huhn	48	Senior Vice President and Chief Strategy Officer
Michael D. White	44	Senior Vice President and Corporate Controller
Stephen P. Callahan	50	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 our interim Chief Executive Officer since May 2014 and has served on our 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, 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 and Chief Strategy Officer, a position he has held since early 2016. Mr. Huhn served as our Senior Vice President - Strategy & Corporate Development from October 2014 until early 2016 and 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.

Michael D. White serves as our Senior Vice President and Corporate Controller, a position he has held since October 2014. Mr. White joined Aegion in October 2013 as Vice President and Corporate Controller. Prior to joining Aegion, he served in various financial leadership positions in the oil and gas and technology industries, including Chief Accounting Officer for both SunGard Energy and Wood Group Production Services. Prior to 2001, he was a manager with Ernst & Young, LLP. Mr. White earned a BBA in Accounting and Finance from the University of Houston and is a Certified Public Accountant and member of the American Institute of Certified Public Accountants.

Stephen P. Callahan serves as our Senior Vice President – Human Resources, a position he has held since November 2015. Prior to joining Aegion, Mr. Callahan was Vice President of Corporate and International Human Resources and HRIS at Peabody Energy from October 2010 until November 2015, where he was responsible for driving global alignment within the human resources function, HRIS, global mobility, business development support and M&A integration, HR metrics and analytics and corporate generalist support. Mr. Callahan has over 20 years of global experience working in Romania, India, France, China, Indonesia, Mongolia, Singapore and the United Kingdom.

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, 2016 and 2015, 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
2016		
First Quarter	\$ 21.50	\$ 16.00
Second Quarter	21.95	17.35
Third Quarter	21.00	17.18
Fourth Quarter	26.14	17.85
2015		
First Quarter	\$ 19.47	\$ 15.31
Second Quarter	19.67	17.11
Third Quarter	19.92	15.97
Fourth Quarter	22.41	16.16

During the quarter ended December 31, 2016, we did not offer any equity securities that were not registered under the Securities Act of 1933, as amended. As of February 21, 2017, the number of holders of record of our common stock was 422.

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, 2016 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⁾	1,924,719	\$ 19.22	1,312,122
Equity compensation plans not approved by security holders	—	—	—
Total	1,924,719	\$ 19.22	1,312,122

⁽¹⁾ The number of securities to be issued upon exercise of granted/awarded options, warrants and rights includes: (i) 170,253 stock options; (ii) 1,501,021 restricted stock, restricted stock units and restricted performance units; and (iii) 253,445 deferred stock units outstanding at December 31, 2016.

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, 2016, 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 2016 ⁽¹⁾⁽²⁾	435,798	\$ 17.14	431,128	\$ 7,868,694
February 2016 ⁽¹⁾⁽²⁾	305,328	17.73	289,632	3,016,659
March 2016 ⁽¹⁾⁽²⁾	169,530	20.30	137,822	422,066
April 2016 ⁽¹⁾⁽²⁾	52,257	20.69	51,949	18,961,760
May 2016 ⁽¹⁾⁽²⁾	201,456	19.49	200,000	15,450,389
June 2016 ⁽¹⁾⁽²⁾	200,880	19.25	200,428	11,591,883
July 2016 ⁽¹⁾⁽²⁾	140,191	19.92	135,871	8,784,523
August 2016 ⁽¹⁾⁽²⁾	221,405	18.92	221,200	14,702,882
September 2016 ⁽¹⁾⁽²⁾	240,502	18.36	240,350	10,290,173
October 2016 ⁽¹⁾⁽²⁾	206,435	19.04	205,016	6,385,249
November 2016 ⁽¹⁾⁽²⁾	149,043	21.93	89,879	4,547,923
December 2016 ⁽¹⁾⁽²⁾⁽³⁾	27,069	24.25	23,600	—
Total	2,349,894	\$ 18.92	2,226,875	

- ⁽¹⁾ In November 2015, our board of directors authorized the open market repurchase of up to \$20.0 million of our common stock to be made during 2015 and 2016. In March 2016, our board of directors authorized the open market repurchase of up to an additional \$20.0 million of our common stock to be made during 2016 following expiration of the November 2015 program. We began repurchasing shares under the March 2016 program in April 2016 immediately following completion of the November 2015 program. In August 2016, our board of directors authorized the open market repurchase of up to an additional \$10.0 million of our common stock to be made during 2016 following expiration of the March 2016 program. We began repurchasing shares under the August 2016 program in October 2016 immediately following completion of the March 2016 program. Our authorization to repurchase shares under the August 2016 program expired on December 31, 2016. Once repurchased, we promptly retire the shares.
- ⁽²⁾ In connection with approval of our then current 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 2016, 61,980 shares were surrendered in connection with stock swap transactions and 61,039 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.
- ⁽³⁾ In October 2016, our board of directors authorized the open market repurchase of up to \$40.0 million of our common stock to be made during 2017.

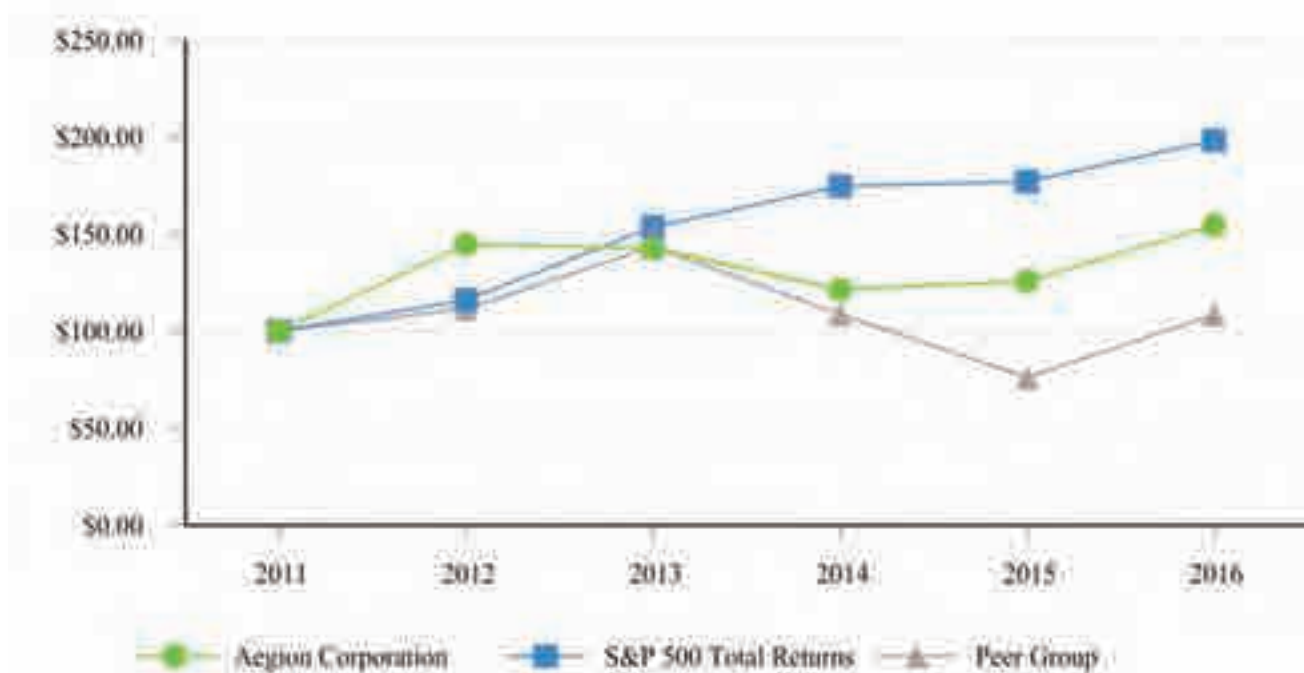
Performance Graph

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. The compensation committee of our board of directors also reviews data for this peer group in establishing the compensation of our executive officers. In 2016, the peer group index was comprised of the following companies:

Actuant Corporation	Helix Energy Solutions Group
Barnes Group, Inc.	Newpark Resources
Basic Energy Services, Inc.	Tesco Corporation
Valmont Industries, Inc.	C&J Energy Services, Inc.
Kennametal, Inc.	CIRCOR International, Inc.
Tetra Tech, Inc.	Forum Energy Technologies, Inc.
Matrix Service Company	Mas Tec, Inc.
Dril-Quip, Inc.	McDermott International Inc.
Team, Inc.	Oil States International Inc.
Willbros Group, Inc.	

The graph assumes that \$100 was invested in our common stock and each index on December 31, 2011 and that all dividends, if any, were reinvested.

Comparison of Five-Year Cumulative Return



	2011	2012	2013	2014	2015	2016
Aegion Corporation	\$ 100.00	\$ 144.65	\$ 142.70	\$ 121.32	\$ 125.88	\$ 154.50
S&P 500 Total Returns	100.00	116.00	153.57	174.60	177.01	198.18
Peer Group	100.00	111.51	143.41	108.77	76.13	108.35

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 and previously published historical financial statements not included in this Report. 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,				
	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽³⁾	2013 ⁽⁴⁾	2012 ⁽⁵⁾
<i>(In thousands, except per share amounts)</i>					
STATEMENT OF OPERATIONS DATA:					
Revenues	\$ 1,221,920	\$ 1,333,570	\$ 1,331,421	\$ 1,091,420	\$ 1,016,831
Operating income (loss)	50,826	19,946	(19,812)	66,882	81,803
Income (loss) from continuing operations ⁽⁶⁾	29,488	(8,067)	(33,320)	50,812	54,374
Loss from discontinued operations	—	—	(3,847)	(6,461)	(1,713)
Net income (loss) ⁽⁶⁾	29,488	(8,067)	(37,167)	44,351	52,661
Basic earnings (loss) per share:					
Income (loss) from continuing operations ⁽⁶⁾	0.85	(0.22)	(0.88)	1.31	1.38
Loss from discontinued operations	—	—	(0.10)	(0.17)	(0.04)
Net income (loss) ⁽⁶⁾	0.85	(0.22)	(0.98)	1.14	1.34
Diluted earnings (loss) per share:					
Income (loss) from continuing operations ⁽⁶⁾	0.84	(0.22)	(0.88)	1.30	1.37
Loss from discontinued operations	—	—	(0.10)	(0.17)	(0.04)
Net income (loss) ⁽⁶⁾	0.84	(0.22)	(0.98)	1.13	1.33
BALANCE SHEET DATA:					
Cash and cash equivalents	\$ 129,500	\$ 209,253	\$ 174,965	\$ 158,045	\$ 133,676
Working capital, net of cash	172,136	171,176	198,834	210,858	202,469
Current assets ⁽⁷⁾	532,237	678,196	638,122	603,858	560,661
Property, plant and equipment, net	156,747	144,833	168,213	182,303	183,163
Goodwill	298,619	249,120	293,023	348,680	272,294
Identified intangible assets, net	194,911	174,118	182,273	209,283	159,629
Total assets ⁽⁷⁾	1,193,582	1,254,013	1,291,133	1,372,332	1,214,882
Current maturities of long-term debt	19,835	17,648	26,399	22,024	33,775
Long-term debt, less current maturities	350,785	333,480	346,536	361,530	218,834
Total liabilities ⁽⁷⁾	617,399	659,457	646,048	645,411	498,761
Total stockholders’ equity	568,500	578,025	626,635	709,368	699,316

⁽¹⁾ 2016 results include charges of \$15.9 million related to our 2016 and 2014 restructuring efforts and \$2.7 million in acquisition expenses related to our acquisitions of Underground Solutions, Fyfe Europe, Concrete Solutions, LMJ and diligence on other targets. Results also include a gain of \$6.6 million in connection with the settlement of two longstanding lawsuits.

⁽²⁾ 2015 results include charges of \$11.0 million related to our 2014 Restructuring, \$43.5 million related to certain goodwill impairments, and \$1.9 million in acquisition expenses related to our acquisitions of Schultz, Underground Solutions and diligence on other targets. Results also include \$3.4 million related to expenses associated with the amended and restated \$650 million senior secured credit facility and our write-off of unamortized debt issuance costs from our prior credit facility.

⁽³⁾ 2014 results include charges of \$49.5 million related to our 2014 Restructuring, \$52.7 million related to certain goodwill and definite-lived intangible asset impairments, and \$1.4 million in acquisition expenses related to our acquisition of Brinderson and diligence on 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.

⁽⁴⁾ 2013 results include \$5.8 million in acquisition expenses related to our acquisition of Brinderson and diligence on other targets.

⁽⁵⁾ 2012 results include \$3.1 million in acquisition expenses related to our acquisitions of Fyfe LA, Fyfe Asia and diligence on other targets. Additionally, 2012 statement of operations data was retrospectively adjusted for the impact of discontinued operations.

⁽⁶⁾ All periods presented include amounts attributable to Aegion Corporation.

⁽⁷⁾ Amounts also include certain components of discontinued operations.

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

Executive Summary

Aegion combines innovative technologies with market leading expertise to maintain, rehabilitate and strengthen infrastructure around the world. Since 1971, we have played a pioneering role in finding innovative solutions to rehabilitate aging infrastructure, primarily pipelines in the wastewater, water, energy, mining and refining industries. We also maintain the efficient operation of refineries and other industrial facilities and provide innovative solutions for the strengthening of buildings, bridges and other structures. We are committed to Stronger. Safer. Infrastructure[®]. Our products and services are currently utilized in approximately 80 countries across six continents. We believe the depth and breadth of our products and services make us a leading provider for the world's infrastructure rehabilitation and protection needs.

Business Outlook

We believe favorable end markets and the progress made over the last two years to advance our long-term strategy give us the opportunity to grow revenue and operating income across all three platforms in 2017, which is expected to result in strong earnings per share growth, greater cash generation and an increase in return on invested capital.

Infrastructure Solutions

We will make investments in 2017 to expand the use of Insituform[®] CIPP in several regions currently underserved by Insituform in the North American wastewater pipeline market. Our objective is to maintain growth and our leading share in a large and mature market. Outside North America, we are selectively targeting markets in Europe for contract installation of Insituform[®] CIPP to compliment a strategy to grow third-party product sales across the continent. We are also pursuing additional contract installations opportunities in Australia and plan to grow third-party CIPP sales in several Asian countries.

One of the most attractive areas for growth is in the rehabilitation of municipal pressure pipelines, primarily in North America. We have a diverse portfolio of solutions in a highly fragmented and growing North American market. We also have an attractive market in Asia-Pacific for large-diameter pressure pipe strengthening. We completed a research and development effort in 2016 that is expected to significantly reduce material and installation costs for Tyfo[®] Fibrwrap[®] while maintaining the superior material properties and quality of the technology. We also improved our InsituMain[®] CIPP technology to give customers a more robust solution. These enhancements and favorable market conditions support our expectations for growth in 2017.

With favorable end markets, strategic investments and technology enhancements, we expect Infrastructure Solutions in 2017 to grow revenues faster than the low-to-mid-single digit three-year target. However, operating margins will likely be slightly lower than in 2016 due to potential increases in petroleum-based input and construction labor costs, especially in North America. We are employing continuous improvement processes in our CIPP manufacturing and operations to partially offset these expected cost headwinds.

Corrosion Protection

We expect a modest recovery in 2017 from the impact caused by depressed oil prices over the last two years, which will be aided by the anticipated completion of a \$130 million deepwater pipe coating and insulation project.

Over 50 percent of Corrosion Protection's revenues come from cathodic protection services for midstream oil and gas pipelines in North America, an attractive and growing market that we believe justifies further investment to outpace market growth. To that end, we plan to roll out a new asset integrity management program in 2017 for pipeline corrosion inspections. The new service will improve data accuracy and processing efficiency, customize the data transfer format (including geospatial mapping) and provide faster access to the information by customers. Corrosion Protection's pipeline inspection services are expected to create a multiplier effect for our other capabilities in direct pipeline inspections, engineering, cathodic protection system installation and pipeline corrosion remediation. Our objective is to expand the relationships with our top customers, who are the leading pipeline owners in North America, to accelerate revenue growth. Asset integrity management is an important element of that strategy and we expect to transition a number of those customers to the new system in 2017.

With oil prices trading in a stable range since the fall of 2016, we have responded to more customer inquiries for our Tite Liner[®] lining pipeline protection system, pipe coatings and insulation for the United States Gulf Coast region and field pipe coatings domestically and overseas. We are encouraged by the growing customer interest and believe this can lead to a modestly improved energy market in 2017, especially in North America. The planned contribution from the deepwater project and anticipated modest recovery in the energy markets establishes our Corrosion Protection expectations for mid-teens revenue growth and mid-single digit operating margins in 2017. The outlook is in line with the three-year targets for revenue growth and operating margin expansion.

Energy Services

We expect Energy Services to build on the momentum achieved in the second half of 2016 after completing the downsizing of its upstream operations in Central California and the Permian Basin as part of the 2016 Restructuring. The outlook for day-to-day downstream refinery maintenance remains robust based on long-term contracts and our position as the lead maintenance provider in 13 out of the 17 refineries on the United States West Coast. We have an effort underway to expand our services to those customers in mechanical maintenance, turnaround support, electrical and instrumentation maintenance and small capital construction activities. We also expect growth in 2017 from a greater number of turnaround, or refinery shutdown, activities. We will continue to improve operating efficiencies to maximize margins and cash generation. The favorable outlook we expect in 2017 supports low to mid-single digit revenue growth and operating margins above the results achieved in the fourth quarter of 2016.

Acquisitions/Strategic Initiatives/Divestitures

Acquisitions

Our recent acquisition strategy has focused on the world's aging infrastructure and the investment needed to maintain infrastructure in North America and overseas. During 2016, we targeted strategic acquisitions in the infrastructure sector by:

- i. adding patented Fusible PVC[®] pipe technology to our pressure pipe rehabilitation portfolio through the acquisition of Underground Solutions;
- ii. expanding our CIPP presence in Europe by acquiring the CIPP contracting operations of LMJ, a Danish company;
- iii. gaining worldwide rights to market, manufacture and install the patented Tyfo[®] Fibrwrap[®] FRP technology by acquiring Fyfe Europe; and
- iv. expanding our FRP presence in Asia through the acquisition of Concrete Solutions.

See Note 1 to the consolidated financial statements contained in this Report for additional information and disclosures regarding our acquisitions.

2016 Restructuring

During 2016, we completed our 2016 Restructuring, which (i) repositioned Energy Services' upstream operations in California, (ii) reduced Corrosion Protection's upstream exposure by divesting our interest in Bayou Perma-Pipe Canada, Ltd. ("BPPC"), our Canadian pipe coating joint venture, (iii) right-sized Corrosion Protection to compete more effectively and (iv) reduced corporate and other operating costs. The 2016 Restructuring reduced consolidated annual costs by approximately \$17.4 million, of which approximately \$1.2 million, \$6.6 million and \$5.6 million related to recognized savings within Infrastructure Solutions, Corrosion Protection and Energy Services, respectively, and \$4.0 million related to reduced corporate costs. Cost savings were achieved primarily through office closures and reducing headcount by approximately 964 employees, or 15.5% of our total workforce as of December 31, 2015.

During 2016, we recorded pre-tax charges of \$16.1 million (\$10.3 million after tax), most of which were cash charges, consisting primarily of employee severance and benefits, early lease termination and other costs associated with the restructuring efforts as described above. We do not expect to incur any future charges related to the 2016 Restructuring.

2014 Restructuring

The 2014 Restructuring generated annual operating cost savings of approximately \$10.8 million and consisted of approximately \$8.4 million and \$2.4 million of recognized savings within Infrastructure Solutions and Corrosion Protection, respectively. We achieved these cost savings by (i) exiting certain unprofitable international locations for our CIPP business and consolidating our worldwide FRP business with the global CIPP business, all of which is in Infrastructure Solutions; and (ii) eliminating certain idle facilities in our pipe coating and insulation operation in Louisiana, which is in Corrosion Protection.

We have substantially completed all of the aforementioned objectives related to the 2014 Restructuring. Total headcount reductions were 86 as of December 31, 2016 and total pre-tax 2014 Restructuring charges since inception were \$60.3 million (\$44.8 million after tax) and consisted of non-cash charges totaling \$48.3 million and cash charges totaling \$12.0 million. See Note 3 to the consolidated financial statements contained in this Report for additional information on the charges related to the 2014 Restructuring. Remaining headcount reductions and cash costs related to the 2014 Restructuring are not expected to be material. We expect to incur additional non-cash charges in 2017, primarily related to the potential release of cumulative currency translation adjustments resulting from the restructured locations as well as the foreign currency impact from settlement of inter-company loans. All such charges will be recognized in Infrastructure Solutions.

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

Overview

In 2016, Infrastructure Solutions experienced increased revenues and profitability due to favorable market conditions primarily in our CIPP business in North America. In February 2016, we added Fusible PVC® to our pressure pipe rehabilitation portfolio through the acquisition of Underground Solutions.

Energy Services and Corrosion Protection continued to experience upstream, and to a lesser extent midstream, market challenges as a result of low oil prices. In response to these market challenges, we successfully executed our 2016 Restructuring which included cost reductions, mainly from employee headcount reductions and office closures, and the divestiture of our Canadian joint venture interest in BPPC.

Significant Events

2016 Restructuring – As part of the 2016 Restructuring, we recorded pre-tax charges of \$16.1 million (\$10.3 million post-tax) during 2016 (see Note 3 to the consolidated financial statements contained in this Report).

2014 Restructuring – As part of the 2014 Restructuring, we recorded pre-tax charges (credits) of \$(0.2) million (\$(0.1) million post-tax), \$11.0 million (\$8.7 million post-tax) and \$26.7 million (\$22.5 million post-tax) during 2016, 2015 and 2014, respectively. These charges exclude long-lived asset impairment charges of \$22.8 million in 2014 for the Bayou, Europe and Asia-Pacific reporting units noted below. Including those charges, total 2014 Restructuring pre-tax charges were \$49.5 million (\$36.2 million post-tax) in 2014 (see Notes 2 and 3 to the consolidated financial statements contained in this Report).

Impairment of goodwill – We recorded pre-tax, non-cash goodwill impairment charges of \$43.5 million (\$35.7 million post-tax) and \$51.5 million (\$45.8 million post-tax) during 2015 and 2014, respectively (see Note 2 to the consolidated financial statements contained in this Report). These charges were recorded as follows:

Energy Services Reporting Unit – During the fourth quarter of 2015, we recognized a pre-tax, non-cash charge of \$33.5 million. In response to contract losses in the Central California upstream energy market during the fourth quarter of 2015 and our subsequent decision to reduce exposure to the upstream market, we performed a market assessment of our energy-related businesses and concluded that sustained low oil prices will continue to create market challenges for the foreseeable future, including a continued reduction in spending by certain of our customers in 2016. The loss of contracts, coupled with the decision to downsize, caused us to perform an interim impairment review of the goodwill and long-lived assets of our operations affected by these circumstances. As a result of the review, we determined that goodwill was impaired; however, there were no impairment charges related to long-lived assets. The Energy Services reporting unit is included in the Energy Services reportable segment.

CRTS Reporting Unit – During the fourth quarters of 2015 and 2014, we recognized pre-tax, non-cash charges of \$10.0 million and \$5.7 million, respectively. For both periods, we performed an impairment review for goodwill and long-lived assets as a result of customer-driven work delays, work order cancellations and canceled sales opportunities as a result of declining oil prices. In 2015, the impairment resulted from our annual assessment of goodwill. In 2014, the impairment resulted from an interim impairment review. For each period, we determined that goodwill was impaired; however, there were no impairment charges related to long-lived assets in either period. The CRTS reporting unit is included in the Corrosion Protection reportable segment.

Bayou Reporting Unit – During the fourth quarter of 2014, we recognized a pre-tax, non-cash charge of \$29.7 million. We performed an interim impairment review of Bayou's goodwill as a result of customer-driven work delays, work order cancellations and canceled sales opportunities stemming from declining oil prices. As a result of our review, we determined that goodwill was impaired. The Bayou reporting unit is included in the Corrosion Protection reportable segment.

Fyfe Reporting Unit – During the fourth quarter of 2014, we recognized a pre-tax, non-cash charge of \$16.1 million as part of our annual impairment assessment for goodwill. Fair value had fallen due to lower long-term expectations for the Fyfe businesses, primarily in North America. As a result of our assessment, we determined that goodwill was impaired. The Fyfe reporting unit is included in the Infrastructure Solutions reportable segment.

Impairment of long-lived assets – During 2014, we recorded pre-tax, non-cash long-lived asset impairment charges of \$24.0 million (\$14.5 million post-tax) (see Note 2 to the consolidated financial statements contained in this Report). These charges were recorded as follows:

Bayou, Europe and Asia-Pacific Reporting Units – In the third quarter of 2014, as part of our 2014 Restructuring, we recognized pre-tax, non-cash property and equipment impairment charges of \$11.9 million related to (i) our Bayou and Bayou Delta asset groups within our Bayou reporting unit, (ii) our France asset group within our Europe reporting unit, and (iii) our Malaysia and India asset groups within our Asia-Pacific reporting unit. We

evaluated the property and equipment of our global operations affected by the 2014 Restructuring and determined that these asset groups were impaired. The Europe and Asia-Pacific reporting units and their related assets groups are included in the Infrastructure Solutions reportable segment. Also included in the impairment assessment were Bayou-related intangible assets such as tradenames and customer relationships that were also tested on an undiscounted cash flow basis. 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.

Fyfe Reporting Unit – During the fourth quarter of 2014, we recognized a pre-tax, non-cash charge of \$1.2 million as a result of our annual impairment assessment for goodwill. During the goodwill assessment, the Fyfe reporting unit had a fair value below its carrying value, which caused us to perform an impairment review of long-lived assets. As a result of our review, we determined that the customer relationship intangible asset related to our Fyfe Latin America asset group had been fully impaired.

Brinderson escrow settlement – During the fourth quarter of 2014, we finalized the settlement (“Brinderson escrow settlement”) of negotiated working capital for the Brinderson acquisition in 2013 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 Statements of Operations. Brinderson is reported in the Energy Services reportable segment.

Legal settlement – In December 2016, we settled two lawsuits related to the December 2012 departure of several key leaders in sales and operations for the Tyfo® Fibrwrap® technology, which is part of the Infrastructure Solutions platform. Under the settlement, we will receive \$6.6 million; and accordingly, recorded the gain to “Gain on litigation settlement” in the Consolidated Statement of Operations. The initial \$3.6 million cash payment was received in December 2016 and the remainder is to be paid in \$750,000 installments over the next four years.

Divestitures – In December 2015, we recognized a loss of \$0.6 million related to the sale of our 51% joint venture interest in BPPC, which transaction closed in February 2016 (see Notes 2 and 5 to the consolidated financial statements contained in this Report).

In March 2014, we recognized a loss of \$0.5 million related to the sale of our 49% joint venture interest in Bayou Coating. See Note 1 to the consolidated financial statements contained in this Report.

Operating Results

(dollars in thousands)	Years Ended December 31,			2016 vs 2015		2015 vs 2014	
	2016	2015	2014	Increase (Decrease)		Increase (Decrease)	
				\$	%	\$	%
Revenues	\$ 1,221,920	\$ 1,333,570	\$ 1,331,421	\$(111,650)	(8.4)%	\$ 2,149	0.2 %
Gross profit	253,164	275,787	279,983	(22,623)	(8.2)	(4,196)	(1.5)
Gross profit margin	20.7%	20.7%	21.0 %	N/A	—bp	N/A	(30)bp
Operating expenses	197,099	209,477	234,105	(12,378)	(5.9)	(24,628)	(10.5)
Goodwill impairment	—	43,484	51,512	(43,484)	N/M	(8,028)	(15.6)
Definite-lived intangible asset impairment	—	—	12,116	—	—	(12,116)	N/M
Gain on litigation settlement	(6,625)	—	—	(6,625)	N/M	—	—
Acquisition-related expenses	2,696	1,912	1,375	784	41.0	537	39.1
Restructuring charges	9,168	968	687	8,200	847.1	281	40.9
Operating income (loss)	50,826	19,946	(19,812)	30,880	154.8	39,758	200.7
Operating margin	4.2%	1.5%	(1.5)%	N/A	270bp	N/A	300bp
Income (loss) from continuing operations	29,160	(7,990)	(31,565)	37,150	465.0	23,575	(74.7)

“N/A” represents not applicable.

“N/M” represents not meaningful.

2016 Compared to 2015

Revenues

Revenues decreased \$111.7 million, or 8.4%, to \$1,221.9 million in 2016 compared to \$1,333.6 million in 2015. The decrease in revenues was due to a \$90.5 million decline in Energy Services' revenues primarily resulting from our first quarter 2016 decision to downsize our exposure to the upstream energy market due to the effects of lower oil prices and a decrease in refinery clean-up, construction and turnaround activities. Revenues in Corrosion Protection decreased \$36.4 million mainly due to (i) a decrease in Canadian upstream, and to a lesser extent midstream, project activity attributable to a decline in client spending on crude oil projects as well as a \$25.3 million revenue decline associated with the sale of our Canadian pipe coating joint venture interest in February 2016, (ii) a decrease in domestic upstream project activity and (iii) the completion of certain large international projects performed primarily in 2015 and completed in early 2016. Revenues in Infrastructure Solutions increased \$15.3 million primarily due to our acquisition of Underground Solutions in February 2016 and an increase in CIPP contracting installation services activity in North America, partially offset by decreases in FRP project activity in North America and international CIPP contracting installation services activity. Foreign currency rates in relation to the U.S dollar had an immaterial impact on consolidated revenues, as well as individual segment revenues, in 2016 compared to 2015.

Gross Profit and Gross Profit Margin

Gross profit decreased \$22.6 million, or 8.2%, to \$253.2 million in 2016 compared to \$275.8 million in 2015. As part of the 2016 Restructuring and 2014 Restructuring, we recognized charges totaling \$0.3 million and \$2.7 million in 2016 and 2015, respectively. Excluding restructuring charges, gross profit decreased \$25.0 million, or 9.0%, to \$253.5 million in 2016 compared to \$278.5 million in 2015. The decrease in gross profit was primarily due to a \$10.0 million decrease in Corrosion Protection and a \$14.5 million decrease in Energy Services primarily due to declines in revenues, as noted above, and added costs associated with certain challenging international projects in Corrosion Protection. Gross profit in Infrastructure Solutions increased \$1.8 million largely driven by an increase in CIPP contracting installation services activity in North America and the contribution from Underground Solutions, partially offset by a decline in emergency large diameter pressure pipe projects in our North American FRP business. Foreign currency rates in relation to the U.S dollar had an immaterial impact on consolidated gross profit, as well as individual segment gross profit, in 2016 compared to 2015.

Gross profit margin remained consistent at 20.7% in 2016 and 2015. Excluding restructuring charges, gross profit margin declined 20 basis points to 20.7% in 2016 from 20.9% in 2015. Gross profit margin declined primarily due to the negative impacts from challenging upstream energy market conditions in Corrosion Protection and decreased labor and equipment utilization in our international CIPP operations in Infrastructure Solutions, partially offset by the higher margin contribution from Infrastructure Solutions' Underground Solutions business and improved margins in Energy Services.

See *Segment Results* below for broader discussion regarding changes in gross profit and gross profit margin by segment.

Operating Expenses

Operating expenses decreased \$12.4 million, or 5.9%, to \$197.1 million in 2016 compared to \$209.5 million in 2015. As part of the 2016 Restructuring and 2014 Restructuring, we recognized charges of \$6.2 million and \$4.4 million in 2016 and 2015, respectively. In 2015, we recorded a loss reserve of \$2.9 million related to a long-dated accounts receivable in Corrosion Protection and a loss reserve of \$2.8 million related to a legal matter in Infrastructure Solutions. Excluding restructuring charges and noted loss reserves, operating expenses decreased \$8.5 million, or 4.3%, to \$190.9 million in 2016 compared to \$199.4 million in 2015.

The decrease in operating expenses was primarily due to our restructuring efforts, which generated cost savings mainly in Energy Services' upstream operation and Corrosion Protection's upstream and midstream operations. Included in the decrease in operating expenses was an offset to operating expenses related to favorable reductions in reserves for certain Brinderson pre-acquisition matters in Energy Services and a decrease related to the sale of our Canadian pipe coating operation in Corrosion Protection. Partially offsetting the decrease in operating expenses was an increase in Infrastructure Solutions primarily related to the acquisition of Underground Solutions. Foreign currency rates in relation to the U.S dollar had an immaterial impact on consolidated operating expenses, as well as individual segment operating expenses, in 2016 compared to 2015.

Operating expenses as a percentage of revenues were 16.1% and 15.7% in 2016 and 2015, respectively. Excluding restructuring charges and loss reserves noted above, operating expenses as a percentage of revenues were 15.6% and 15.0% in 2016 and 2015, respectively.

Consolidated Income (Loss) from Continuing Operations

Consolidated income from continuing operations increased \$37.2 million, or 465.0%, to \$29.2 million in 2016, from a consolidated loss of \$8.0 million in 2015.

Included in consolidated income from continuing operations were the following pre-tax items: (i) 2016 Restructuring and 2014 Restructuring charges of \$15.9 million (\$10.2 million post-tax) and \$11.0 million (\$8.7 million post-tax) in 2016 and 2015, respectively, (ii) goodwill impairment charges of \$43.5 million (\$35.7 million post-tax) in 2015, (iii) loss reserves of \$2.9 million (\$2.0 million post-tax) in 2015 related to long-dated accounts receivable, (iv) a loss reserve of \$2.8 million (\$1.7 million post-tax) related to a legal matter in 2015, (v) gain on a litigation settlement of \$6.6 million (\$4.0 million post-tax) in 2016, (vi) the loss on the sale of BPPC of \$0.6 million (\$0.4 million post-tax) in 2015 and (vii) acquisition-related expenses of \$2.7 million (\$2.2 million post-tax) and \$1.9 million (\$1.2 million post-tax) in 2016 and 2015, respectively.

Excluding the above items, consolidated income from continuing operations decreased \$8.2 million, or 17.8%, to \$37.9 million in 2016 from \$46.1 million in 2015. This decrease was primarily due to declining revenues and gross profit related to the negative impacts from the low oil price environment in Energy Services and Corrosion Protection, partially offset by an increase in revenues and gross profit in Infrastructure Solutions. Operating expenses favorably impacted consolidated income as a result of operating expense savings associated with our restructuring efforts and decreases in reserves for certain Brinderson pre-acquisition matters noted above, partially offset by the operating expense contribution from Underground Solutions. Consolidated income from continuing operations in 2016, as compared to 2015, was negatively impacted by an increase in interest expense due to higher borrowing costs and higher debt balances, but positively benefited from the \$4.2 million reversal of a previously recorded valuation allowance due to changes in the realization of future tax benefits. Foreign currency rates in relation to the U.S. dollar had an immaterial impact on consolidated income from continuing operations in 2016 compared to 2015.

2015 Compared to 2014

Revenues

Revenues increased \$2.1 million, or 0.2%, to \$1,333.6 million in 2015 compared to \$1,331.4 million in 2014. The increase in revenues was primarily due to increased maintenance and turnaround services activity in our downstream operation within Energy Services, increased North American CIPP contracting installation services activity within Infrastructure Solutions, and increased project activity in our pipe coating and insulation operation in Louisiana within Corrosion Protection. Partially offsetting the increase in revenues were negative impacts from foreign currency rates in relation to the U.S. dollar which equated to a \$51.8 million decline in revenues in 2015 compared to 2014. Revenues also declined as a result of our 2014 Restructuring as we exited or were in the process of exiting, certain under-performing operations located in European and Asia-Pacific regions in 2015. Additionally, revenues declined in our upstream and midstream oil and gas operations within Energy Services and Corrosion Protection.

Gross Profit and Gross Profit Margin

Gross profit decreased \$4.2 million, or 1.5%, to \$275.8 million in 2015 compared to \$280.0 million in 2014. Excluding 2014 Restructuring charges of \$2.7 million and \$4.4 million in 2015 and 2014, respectively, within Infrastructure Solutions and long-lived asset impairment charges of \$11.3 million in 2014 within Corrosion Protection, gross profit decreased \$17.2 million, or 5.8%, to \$278.5 million in 2015 compared to \$295.7 million in 2014.

The change in foreign currency rates in relation to the U.S. dollar negatively impacted gross profit by \$10.6 million in 2015 compared to the prior year.

Gross profit margin declined 30 basis points to 20.7% in 2015 from 21.0% in 2014. Excluding 2014 Restructuring charges and long-lived asset impairment charges noted above, gross profit margin declined 130 basis points to 20.9% in 2015 from 22.2% in 2014.

See *Segment Results* below for broader discussion regarding changes in gross profit and gross profit margin by segment.

Operating Expenses

Operating expenses decreased \$24.6 million, or 10.5%, to \$209.5 million in 2015 compared to \$234.1 million in 2014. In 2015, we recorded a loss reserve of \$2.9 million related to a long-dated accounts receivable in Corrosion Protection and a loss reserve of \$2.8 million related to a legal matter in Infrastructure Solutions. In 2014, we recorded a loss reserve of \$7.5 million related to a disputed and long-dated accounts receivable in Infrastructure Solutions and an offset to operating expenses of \$4.5 million related to the Brinderson escrow settlement in Energy Services. Excluding (i) the loss reserves of \$2.9 million and \$7.5 million in 2015 and 2014, respectively, (ii) the loss reserve of \$2.8 million related to a legal matter in 2015, (iii) the Brinderson escrow settlement offset of \$4.5 million in 2014, and (iv) 2014 Restructuring charges of \$4.4 million and \$20.5 million in 2015 and 2014, respectively, within Infrastructure Solutions; operating expenses decreased \$11.2 million, or 5.3%, to \$199.4 million in 2015 compared to \$210.6 million in 2014.

The decrease in operating expenses was primarily the result of cost savings achieved in our European, Asia-Pacific and North American operations as part of the 2014 Restructuring, as well as favorable impacts from foreign currency rates in

relation to the U.S. dollar. Additionally, operating expenses in Corrosion Protection decreased as a result of controlled spending efforts in our operations servicing the upstream market given the challenging market conditions. Partially offsetting these decreasing factors was an increase in operating expenses related to additional staff to support growth in the downstream refining market serviced by Energy Services.

The change in foreign currency rates in relation to the U.S. dollar favorably impacted operating expenses by \$4.7 million in 2015 compared to the prior year.

Operating expenses as a percentage of revenues were 15.7% and 17.6% in 2015 and 2014 respectively. Excluding the loss reserve for long-dated accounts receivable, the Brinderson escrow settlement and the 2014 Restructuring charges as noted above, operating expenses as a percentage of revenues were 15.0% and 15.8% in 2015 and 2014, respectively.

Consolidated Income (Loss) from Continuing Operations

Consolidated loss from continuing operations was \$8.0 million in 2015, an improvement of \$23.6 million, or 74.7%, from a consolidated loss of \$31.6 million in 2014.

Included in consolidated income (loss) from continuing operations were the following pre-tax items: (i) 2014 Restructuring charges of \$11.0 million (\$8.7 million post-tax) and \$26.7 million (\$22.5 million post-tax) in 2015 and 2014, respectively, (ii) goodwill impairment charges of \$43.5 million (\$35.7 million post-tax) and \$51.5 million (\$45.8 million post-tax) in 2015 and 2014, respectively, (iii) definite-lived intangible asset impairment charges of \$24.0 million (\$14.5 million post-tax) in 2014, (iv) loss reserves of \$2.9 million (\$2.0 million post-tax) and \$7.5 million (\$4.5 million post-tax) in 2015 and 2014, respectively, related to long-dated accounts receivable, (v) a loss reserve of \$2.8 million (\$1.7 million post-tax) related to a legal matter in 2015, (vi) Brinderson escrow settlement gain of \$4.5 million (\$2.8 million post-tax) in 2014, (vii) the loss on the sale of BPPC of \$0.6 million (\$0.4 million post-tax) in 2015 and (viii) acquisition-related expenses of \$1.9 million (\$1.2 million post-tax) and \$1.4 million (\$0.8 million post-tax) in 2015 and 2014, respectively.

Excluding the above items, consolidated income from continuing operations was \$46.1 million in 2015, a decrease of \$7.0 million, or 13.3%, from \$53.1 million in 2014. This decrease was primarily due to the decline in project activities in our upstream, and to a lesser extent midstream, operations within Corrosion Protection and Energy Services, which were negatively impacted by a sharp decline in oil prices during the second half of 2014 and reduced customer spending. Partially offsetting the decrease in consolidated income from continuing operations was an increase in CIPP contracting installation services activity in Infrastructure Solutions and increased customer demand for services provided by our downstream operation in Energy Services.

The change in foreign currency rates in relation to the U.S. dollar negatively impacted consolidated income from continuing operations by \$4.2 million in 2015 compared to the prior year.

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. We assume these signed contracts are funded. For government or municipal contracts, our customers generally obtain funding through local budgets or pre-approved bond financing. We have not undertaken a process to verify funding status of these contracts and, therefore, cannot reasonably estimate what portion, if any, of contracts in backlog have not been funded. However, we have 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 summarizes our consolidated backlog by segment for each of the last three years (in millions):

	December 31,		
	2016	2015	2014
Infrastructure Solutions ⁽¹⁾	\$ 283.4	\$ 311.2	\$ 337.5
Corrosion Protection ⁽²⁾	213.4	272.5	176.0
Energy Services ⁽³⁾	192.8	192.8	244.5
Total backlog	<u>\$ 689.6</u>	<u>\$ 776.5</u>	<u>\$ 758.0</u>

⁽¹⁾ December 31, 2016, 2015 and 2014 included backlog from restructured entities of zero, \$0.8 million and \$3.7 million, respectively.

⁽²⁾ December 31, 2016 and 2015 included backlog from our large domestic pipe coating and insulation contract of \$96.8 million and \$134.3 million, respectively.

⁽³⁾ December 31, 2016, 2015 and 2014 included upstream-related backlog of \$29.8 million, \$41.1 million and \$96.5 million, respectively.

Included within backlog for Energy Services are amounts that represent 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, 2016, 1.2% and 29.8% of our Infrastructure Solutions backlog and Corrosion Protection backlog, respectively, related to these variable interest entities. With the exception of Energy Services, 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.

In accordance with industry practice, substantially all of our contracts are subject to cancellation or termination at the discretion of the customer. In a situation where a customer terminates a contract, we would ordinarily be entitled to receive payment for work performed up to the date of termination and, in certain circumstances, we may be entitled to allowable termination and cancellation costs. There were no significant cancellations in 2016.

While management uses all information available to it to determine backlog, our backlog at any given time is subject to changes in the scope of services to be provided as well as increases or decreases in costs relating to the contracts included therein. Accordingly, backlog is not necessarily a reliable indicator of future revenues.

Total contract backlog decreased \$86.9 million, or 11.2%, to \$689.6 million at December 31, 2016 from \$776.5 million at December 31, 2015. The decrease in backlog was due to several factors, including (i) work performed during 2016 on the large domestic pipe coating and insulation contract included in backlog at December 31, 2015 within Corrosion Protection ; (ii) the 2016 completion of large coating services projects in the Middle East and South America within Corrosion Protection; (iii) the 2016 completion of large projects in our other pipe coating and insulation operations within Corrosion Protection; and (iv) record 2016 revenues and the timing of awards in our North American CIPP operations within Infrastructure Solutions. Partially offsetting the decrease in total backlog was an increase in cathodic protection awards, primarily in the United States, within Corrosion Protection, and the increases within Infrastructure Solutions attributable to Underground Solutions, LMJ and Concrete Solutions, which were acquired in 2016. Energy Services overall backlog remained unchanged, however, declines related to upstream activities were largely offset by more activity in the downstream market boosted by the renewal of a large maintenance contract in December 2016. A higher and more stable oil price environment has the potential for customers to increase spending on pipeline assets. In the event crude oil prices remain depressed, however, our outlook and contract backlog could continue to be negatively impacted. Market conditions continue to be favorable across most geographies for Infrastructure Solutions as municipal spending activity generally remains strong as a result of steady local economies and increased environmental enforcement.

Subject to factors discussed in Item 1A – “Risk Factors”, we estimate that approximately \$677.7 million, or 98.3%, of total backlog at December 31, 2016 will be realized as revenues in 2017.

Segment Results

Infrastructure Solutions Segment

Key financial data for Infrastructure Solutions was as follows:

<i>(dollars in thousands)</i>	Years Ended December 31,			2016 vs 2015		2015 vs 2014	
	2016	2015	2014	Increase (Decrease)		Increase (Decrease)	
				\$	%	\$	%
Revenues	\$ 571,551	\$ 556,234	\$ 567,205	\$ 15,317	2.8 %	\$ (10,971)	(1.9)%
Gross profit	141,681	139,895	135,883	1,786	1.3	4,012	3.0
Gross profit margin	24.8%	25.2%	24.0 %	N/A	(40)bp	N/A	120bp
Operating expenses	89,477	90,928	124,101	(1,451)	(1.6)	(33,173)	(26.7)
Goodwill impairment	—	—	16,069	—	—	(16,069)	N/M
Definite-lived intangible asset impairment	—	—	1,220	—	—	(1,220)	N/M
Gain on litigation settlement	(6,625)	—	—	(6,625)	N/M	—	—
Acquisition-related expenses	2,696	1,132	—	1,564	138.2	1,132	N/M
Restructuring charges	2,630	968	687	1,662	171.7	281	40.9
Operating income (loss)	53,503	46,867	(6,194)	6,636	14.2	53,061	(856.7)
Operating margin	9.4%	8.4%	(1.1)%	N/A	100bp	N/A	950bp

“N/A” represents not applicable.

“N/M” represents not meaningful.

2016 Compared to 2015

Revenues

Revenues in Infrastructure Solutions increased \$15.3 million, or 2.8%, to \$571.6 million in 2016 compared to \$556.2 million in 2015. As part of the 2014 Restructuring, we exited certain foreign operations primarily in 2015. Excluding revenues from restructured operations, revenues in Infrastructure Solutions increased \$23.3 million, or 4.3%, in 2016 compared to 2015. The increase in revenues was primarily driven by the \$29.4 million contribution from Underground Solutions, which was acquired in February 2016, and record revenues in our North American CIPP operation. Revenues in our European operation increased primarily due to the \$4.9 million contribution from LMJ, which was acquired in June 2016. Partially offsetting the increase in revenues was a decrease in FRP project activity in North America compared to 2015, which included the completion of a large industrial project that was performed and completed in 2015, and a decrease in CIPP project activity in our Asia-Pacific operation.

Gross Profit and Gross Profit Margin

Gross profit in Infrastructure Solutions increased \$1.8 million, or 1.3%, to \$141.7 million in 2016 compared to \$139.9 million in 2015. As part of the 2014 Restructuring, we recognized charges of \$0.1 million and \$2.7 million in 2016 and 2015, respectively, related to costs associated with the exiting of certain foreign locations. Excluding restructuring charges, gross profit decreased \$0.9 million, or 0.6%, to \$141.7 million in 2016 compared to \$142.6 million in 2015. The decrease in gross profit was primarily due to: (i) a decline in emergency large diameter pressure pipe activity in our North American FRP business, (ii) a decline in CIPP contracting installation services activity in our Asia-Pacific operation primarily related to project execution, (iii) a decline in gross profit in our European operation primarily due to lower labor and equipment utilization, and (iv) an expense of \$3.6 million in the first half of 2016 for the recognition of inventory step up related to the Underground Solutions acquisition. Substantially offsetting the decrease in gross profit were increases in our North American operation, which included the contribution from Underground Solutions and increased CIPP contracting installation services activity.

Gross profit margin declined 40 basis points to 24.8% in 2016 from 25.2% in 2015. Excluding restructuring charges, gross profit margin declined 80 basis points to 24.8% in 2016 from 25.6% in 2015. Gross profit margin declined mainly as a result of a decline in FRP project activity in our North American operation and, to a lesser extent, lower labor and equipment utilization in our European and Asia-Pacific CIPP operations. Partially offsetting the decline in gross profit margin were increases related to higher margin project activity in Underground Solutions and greater efficiencies in CIPP project activity in our North American operation.

Operating Expenses

Operating expenses in Infrastructure Solutions decreased \$1.5 million, or 1.6%, to \$89.5 million in 2016 compared to \$90.9 million 2015. As part of the 2016 Restructuring, we recognized charges totaling \$0.6 million in 2016 related to cost reduction efforts. As part of the 2014 Restructuring, we recognized expense reversals totaling \$0.3 million and charges totaling \$4.4 million in 2016 and 2015, respectively, associated with the exiting of certain foreign locations. In 2015, we recorded a loss reserve of \$2.8 million related to a legal matter. Excluding restructuring charges and the loss reserve for the legal matter in 2015, operating expenses increased \$5.4 million, or 6.5%, to \$89.2 million in 2016 compared to \$83.8 million in 2015. The increase in operating expenses was primarily due to the contribution from Underground Solutions since its acquisition in February 2016 and, to a lesser extent, operating expense contributions related to the acquisitions of LMJ, Concrete Solutions and Fyfe Europe in 2016. Partially offsetting the increase in operating expenses were decreases related to cost savings in our FRP and CIPP operations in North America.

Operating expenses as a percentage of revenues were 15.7% and 16.3% in 2016 and 2015, respectively. Excluding restructuring charges and the loss reserve noted above, operating expenses as a percentage of revenues were 15.6% and 15.1% in 2016 and 2015, respectively.

Operating Income and Operating Margin

Operating income in Infrastructure Solutions increased \$6.6 million, or 14.2%, to \$53.5 million in 2016 compared to \$46.9 million in 2015. Operating margin increased 100 basis points to 9.4% in 2016 compared to 8.4% in 2015.

Included in operating income were the following pre-tax items: (i) gain on litigation settlement of \$6.6 million related to our FRP business in North America, (ii) 2016 Restructuring charges of \$3.1 million primarily related to severance, extension of benefits, employee assistance programs, wind-down and other restructuring costs in 2016, (iii) 2014 Restructuring expense reversals of \$0.2 million in 2016 and charges of \$8.1 million in 2015, (iv) inventory step-up expense of \$3.6 million associated with the acquisition of Underground Solutions, (v) acquisition-related expenses of \$2.7 million and \$1.1 million in 2016 and 2015, respectively, and (vi) a loss reserve of \$2.8 million related to a legal matter in 2015.

Excluding the above items, operating income decreased \$2.8 million, or 4.7%, to \$56.1 million in 2016 compared to \$58.8 million in 2015 and operating margin declined 80 basis points to 9.8% in 2016 from 10.6% in 2015. These decreases were primarily driven by a decline in FRP project activity in North America, a decline in profitability in our European operation related to lower labor and equipment utilization, and a decline in CIPP contracting installation services activity in Asia-Pacific mainly due to delays in project timing. Partially offsetting the decreases in operating income and operating margin were increases primarily related to our North American operation, which benefited from increased CIPP contracting installation services activity, improved efficiencies and the contribution from Underground Solutions. Foreign currency rates in relation to the U.S dollar had an immaterial impact on operating income in 2016 compared to 2015.

2015 Compared to 2014

Revenues

Revenues in Infrastructure Solutions decreased \$11.0 million, or 1.9%, to \$556.2 million in 2015 from \$567.2 million in 2014. The decrease in revenues was primarily the result of negative impacts from foreign currency rates in relation to the U.S dollar, which equated to a \$22.3 million decline in revenues in 2015 compared to 2014. Revenues also declined as a result of our 2014 Restructuring as we exited, or were in the process of exiting, certain under-performing operations located in the European and Asia-Pacific regions in 2015. Partially offsetting the decrease in revenues was an increase related to growth in CIPP contracting installation services activity in our North American operation. Our North American operation benefited in 2015 from an increased backlog primarily due to favorable market conditions and improved market share.

Gross Profit and Gross Profit Margin

Gross profit in Infrastructure Solutions increased \$4.0 million, or 3.0%, to \$139.9 million in 2015 compared to \$135.9 million in 2014. Excluding 2014 Restructuring charges of \$2.7 million and \$4.4 million in 2015 and 2014, respectively, gross profit increased \$2.4 million, or 1.7%, to \$142.6 million in 2015 compared to \$140.2 million in 2014. The increase in gross profit was primarily due to increased revenues in our North American operation, supply cost savings related to resin, fuel and fiber costs as a result of lower commodity prices in 2015 compared to 2014, and improved project execution. Partially offsetting the increase in gross profit was a decrease related to a decline in CIPP contracting installation services activity in our European operation, which was part of the 2014 Restructuring. The change in foreign currency rates in relation to the U.S. dollar negatively impacted gross profit for the segment by \$4.6 million in 2015 compared to the prior year.

Gross profit margin improved 120 basis points to 25.2% in 2015 from 24.0% in 2014. Excluding 2014 Restructuring charges, gross profit margin improved 90 basis points to 25.6% in 2015 from 24.7% in 2014. The increase in gross profit

margin was primarily due to efficiencies, cost saving efforts, including cost savings from our 2014 Restructuring, and lower supply costs within our North American, European and Asia-Pacific operations.

Operating Expenses

Operating expenses in Infrastructure Solutions decreased \$33.2 million, or 26.7%, to \$90.9 million in 2015 compared to \$124.1 million 2014. In 2015, we recorded a loss reserve of \$2.8 million related to a legal matter. In 2014, we recorded a loss reserve of \$7.5 million within operating expenses related to disputed and long-dated accounts receivables. Excluding (i) the loss reserve of \$2.8 million related to a legal matter in 2015, (ii) the loss reserve of \$7.5 million in 2014, and (iii) 2014 Restructuring charges of \$4.4 million and \$20.5 million in 2015 and 2014, respectively; operating expenses decreased \$12.3 million, or 12.8%, to \$83.8 million in 2015 compared to \$96.1 million in 2014. The decrease in operating expenses was primarily the result of cost savings achieved in our European, Asia-Pacific and North American operations as part of the 2014 Restructuring, partially offset by increased information technology investments and other costs allocated from our corporate administrative function. The change in foreign currency rates in relation to the U.S. dollar favorably impacted operating expenses for the segment by \$2.5 million in 2015 compared to the prior year.

Operating expenses as a percentage of revenues were 16.3% and 21.9% in 2015 and 2014, respectively. Excluding the loss reserves and 2014 Restructuring charges as noted above, operating expenses as a percentage of revenues were 15.1% and 16.9% in 2015 and 2014, respectively.

Operating Income (Loss) and Operating Margin

Operating income in Infrastructure Solutions increased \$53.1 million, or 856.6%, to \$46.9 million in 2015 compared to a loss of \$6.2 million in 2014. Operating margin increased 950 basis points to 8.4% in 2015 from (1.1)% in 2014.

Included in operating income (loss) were the following pre-tax items: (i) 2014 Restructuring charges of \$8.1 million and \$25.6 million in 2015 and 2014, respectively, (ii) loss reserve of \$2.8 million related to a legal matter in 2015, (iii) loss reserve related to a disputed and long-dated accounts receivable of \$7.5 million in 2014, (iv) goodwill impairment charges of \$16.1 million in 2014, (v) definite-lived intangible asset impairment charges of \$1.2 million in 2014, and (vi) acquisition-related expenses of \$1.1 million in 2015.

Excluding the above items, operating income increased \$14.7 million, or 33.3%, to \$58.8 million in 2015 compared to \$44.1 million in 2014 and operating margin improved 280 basis points to 10.6% in 2015 from 7.8% in 2014. These increases were primarily the result of cost savings achieved in our European, Asia-Pacific and North American operations as part of the 2014 Restructuring, supply cost savings and improved project execution. The change in foreign currency rates in relation to the U.S. dollar negatively impacted operating income for the segment by \$2.0 million in 2015 compared to the prior year.

Corrosion Protection Segment

Key financial data for Corrosion Protection was as follows:

<i>(dollars in thousands)</i>	Years Ended December 31,			2016 vs 2015		2015 vs 2014	
	2016	2015	2014	Increase (Decrease)		Increase (Decrease)	
	\$	\$	\$	\$	%	\$	%
Revenues	\$ 401,469	\$437,921	\$458,409	\$ (36,452)	(8.3)%	\$ (20,488)	(4.5)%
Gross profit	83,269	93,220	99,304	(9,951)	(10.7)	(6,084)	(6.1)
Gross profit margin	20.7%	21.3 %	21.7 %	N/A	(60)bp	N/A	(40)bp
Operating expenses	77,657	84,577	83,256	(6,920)	(8.2)	1,321	1.6
Goodwill impairment	—	9,957	35,443	(9,957)	N/M	(25,486)	(71.9)
Definite-lived intangible asset impairment	—	—	10,896	—	—	(10,896)	N/M
Acquisition-related expenses	—	457	719	(457)	N/M	(262)	(36.4)
Restructuring charges	3,803	—	—	3,803	N/M	—	—
Operating income (loss)	1,809	(1,771)	(31,010)	3,580	202.1	29,239	(94.3)
Operating margin	0.5%	(0.4)%	(6.8)%	N/A	90bp	N/A	640bp

“N/A” represents not applicable.

“N/M” represents not meaningful.

2016 Compared to 2015

Revenues

Revenues in Corrosion Protection decreased \$36.5 million, or 8.3%, to \$401.5 million in 2016 compared to \$437.9 million in 2015. The decrease in revenues was primarily due to a \$43.2 million decline in revenues generated from our Canadian operations, which included a \$25.3 million decline related to the sale of our Canadian pipe coating operation in February 2016, as weak Canadian market conditions negatively impacted our cathodic protection and industrial linings operations. Also contributing to the decrease in revenues was a decline in project activities in the Middle East primarily in our cathodic protection and industrial linings operations and the completion of a large coating services project in South America. Partially offsetting the decreases in revenues were increases primarily related to production on a large domestic project in our pipe coating and insulation operation, increased project activities in our domestic and European cathodic protection operations and increased project activities in our coating services operation in the Middle East.

Gross Profit and Gross Profit Margin

Gross profit in Corrosion Protection decreased \$10.0 million, or 10.7%, to \$83.3 million in 2016 compared to \$93.2 million in 2015. As part of the 2016 Restructuring, we recognized charges of \$0.3 million in 2016 related to the downsizing of certain upstream and midstream operations. Excluding restructuring charges, gross profit decreased \$9.7 million, or 10.4%. The decrease in gross profit was primarily due to a \$11.7 million decline in gross profit generated from our Canadian operations, which included a \$4.7 million decline related to the sale of our Canadian pipe coating operation, as project activity in Canada declined as noted above. Also contributing to the decrease in gross profit were added costs on certain challenging coating services projects in the Middle East and a large coating services project in South America performed mostly in 2015 and completed in early 2016. Partially offsetting the decreases in gross profit were increases primarily related to production on a large domestic project in our pipe coating and insulation operation, increased project activities in our domestic as well as European cathodic protection operation and increased project activities in our domestic industrial linings operation. Improved efficiencies resulting from our 2016 Restructuring efforts also led to higher gross profit generated in our cathodic protection operation.

Gross profit margin declined 60 basis points to 20.7% in 2016 from 21.3% in 2015. Excluding 2016 Restructuring charges, gross profit margin declined 50 basis points in 2016 from 2015. The decrease in gross profit margin was primarily due to added costs on certain coating services projects in the Middle East as well as lower labor and equipment utilization in our Canadian operations. Partially offsetting the decrease in gross profit margin were increases primarily related to production on a large domestic project with a higher margin profile in our pipe coating and insulation operation, higher margin work in our domestic industrial linings operation and improved efficiencies resulting from our 2016 Restructuring efforts in our cathodic protection operation.

Operating Expenses

Operating expenses in Corrosion Protection decreased \$6.9 million, or 8.2%, to \$77.7 million in 2016 compared to \$84.6 million in 2015. Excluding 2016 Restructuring charges of \$0.5 million related to the downsizing of certain midstream and upstream operations in 2016 and loss reserves of \$2.9 million related to long-dated accounts receivable in 2015, operating expenses decreased \$4.5 million, or 5.5%, to \$77.2 million in 2016 compared to \$81.7 million in 2015. The decrease in operating expenses was primarily due to cost savings associated with our 2016 Restructuring and other controlled spending efforts in a period of declining revenues. Also contributing to the decrease in operating expenses was \$1.6 million related to the sale of our Canadian pipe coating operation.

Operating expenses as a percentage of revenues were 19.3% and 19.3% in 2016 and 2015, respectively. Excluding 2016 Restructuring charges and the loss reserves in 2015, as noted above, operating expenses as a percentage of revenues were 19.2% and 18.7% in 2016 and 2015, respectively.

Operating Income (Loss) and Operating Margin

Operating income in Corrosion Protection increased \$3.6 million, or 202.1%, to \$1.8 million in 2016 compared to a loss of \$1.8 million in 2015. Operating margin improved 90 basis points to 0.5% in 2016 compared to (0.4)% in 2015.

Included in operating income (loss) were the following pre-tax items: (i) 2016 Restructuring charges of \$4.6 million related to employee severance, retention, extension of benefits, employee assistance programs, wind-down and other restructuring costs related to the downsizing of certain of our upstream operations in 2016, (ii) goodwill impairment charges of \$10.0 million in 2015, (iii) loss reserve of \$2.9 million related to a long-dated accounts receivable in 2015, and (iv) acquisition-related expenses of \$0.5 million in 2015.

Excluding the above items, operating income decreased \$5.2 million, or 44.7%, to \$6.4 million in 2016 compared to \$11.5 million in 2015 and operating margin declined 100 basis points to 1.6% in 2016 from 2.6% in 2015. These decreases were primarily due to declining revenues and gross profit, as noted above, partially offset by operating expense savings primarily

generated from cost saving initiatives associated with the 2016 Restructuring. Foreign currency rates in relation to the U.S. dollar had an immaterial impact on operating income in 2016 compared to 2015.

2015 Compared to 2014

Revenues

Revenues in Corrosion Protection decreased \$20.5 million, or 4.5%, to \$437.9 million in 2015 compared to \$458.4 million in 2014. The decrease in revenues was primarily the result of negative impacts from foreign currency rates in relation to the U.S. dollar, which equated to a \$29.6 million decline in revenues in 2015 compared to 2014. Revenues also declined due to decreased project activity in our industrial linings operation, our cathodic protection operation and our Canadian pipe coating operation mainly due to challenging market conditions. These challenges were the result of decreased customer spending and customer driven delays in project start dates, particularly as it relates to our businesses tied to the upstream, and to a lesser extent midstream, energy markets, which were negatively impacted by lower oil prices. Partially offsetting the decreases in revenues were increases primarily related to project activity in our pipe coating and insulation operation and our coating services operation, the later of which benefited from a large project in South America.

Gross Profit and Gross Profit Margin

Gross profit in Corrosion Protection decreased \$6.1 million, or 6.1%, to \$93.2 million in 2015 compared to \$99.3 million in 2014. In 2014, as part of our 2014 Restructuring, we recorded long-lived asset impairment charges of \$11.3 million related to certain fixed assets in our pipe coating and insulation operation in Louisiana. Excluding long-lived asset impairment charges, gross profit decreased \$17.4 million, or 15.7%, to \$93.2 million in 2015 compared to \$110.6 million in 2014. The decrease in gross profit was primarily due to (i) a decline in revenues in our cathodic protection operation, our industrial linings operation and our Canadian pipe coating operation mainly due to challenging market conditions noted previously, (ii) a shift in higher margin offshore work to lower margin onshore work in our coating services operation, (iii) lower labor and equipment utilization in our cathodic protection operation as projects were delayed or canceled, thereby making it increasingly difficult to remain efficient, and (iv) impacts from unfavorable changes in foreign currency rates in relation to the U.S. dollar. Partially offsetting the decrease in gross profit were improved results in our domestic pipe coating and insulation operation and our Canadian cathodic protection operation, notwithstanding unfavorable foreign currency rates between the Canadian dollar versus the U.S. dollar in 2015.

The change in foreign currency rates in relation to the U.S. dollar negatively impacted gross profit for the segment by \$6.1 million in 2015 compared to the prior year.

Gross profit margin decreased 40 basis points to 21.3% in 2015 from 21.7% in 2014. Excluding long-lived asset impairment charges in 2014, gross profit margin decreased 280 basis points to 21.3% in 2015 from 24.1% in 2014. The decrease in gross profit margin was mainly due to the same factors impacting gross profit as noted above with the primary driver being the shift in higher margin offshore work to lower margin onshore work in our coating services operation.

Operating Expenses

Operating expenses in Corrosion Protection increased \$1.3 million, or 1.6%, to \$84.6 million in 2015 compared to \$83.3 million in 2014 primarily due to a loss reserve of \$2.9 million recorded in 2015 related to a long-dated accounts receivable. Additionally, operating expenses increased as a result of increased sales and administrative functions in our cathodic protection operation and increased information technology investments and other costs allocated from our corporate administrative function. Partially offsetting the increase in operating expenses was a decrease resulting from controlled spending efforts in response to market challenges in our coating services operation, our industrial linings operation and our pipe coating and insulation operation.

The change in foreign currency rates in relation to the U.S. dollar favorably impacted operating expenses for the segment by \$2.1 million in 2015 compared to the prior year.

Operating expenses as a percentage of revenues were 19.3% and 18.2% in 2015 and 2014, respectively.

Operating Income (Loss) and Operating Margin

Corrosion Protection recognized a operating loss of \$1.8 million in 2015 compared to a operating loss of \$31.0 million in 2014. Operating margin increased 640 basis points to (0.4)% in 2015 compared to (6.8)% in 2014.

Included in operating income (loss) were the following pre-tax items: (i) loss reserve of \$2.9 million related to a long-dated accounts receivable in 2015, (ii) long-lived asset impairment charges of \$11.3 million in 2014, (iii) goodwill impairment charges of \$10.0 million and \$35.4 million in 2015 and 2014, respectively, (iv) definite-lived intangible asset impairment charges of \$10.9 million in 2014, and (v) acquisition-related expenses of \$0.5 million and \$0.7 million in 2015 and 2014, respectively.

Excluding the above items, operating income decreased \$15.9 million, or 58.0%, to \$11.5 million in 2015 from \$27.4 million in 2014 and operating margin declined 340 basis points to 2.6% in 2015 from 6.0% in 2014. These decreases were primarily due to a decline in revenues and related gross profit as a result of challenging market conditions. As noted above, these declines were mainly the result of decreased customer spending and customer driven delays in project start dates, particularly as it relates to our businesses tied to the upstream, and to a lesser extent midstream, energy markets which were negatively impacted by low oil prices.

The change in foreign currency rates in relation to the U.S. dollar negatively impacted operating income for the segment by \$3.9 million in 2015 compared to the prior year.

Energy Services Segment

Energy Services operates solely in the United States and generates all revenues and incurs all expenses in U.S. dollars. There were no impacts from foreign currencies in relation to the U.S dollar for the segment for the reported periods.

Key financial data for Energy Services was as follows:

<i>(dollars in thousands)</i>	Years Ended December 31,			2016 vs 2015		2015 vs 2014	
	2016	2015	2014	Increase (Decrease)		Increase (Decrease)	
				\$	%	\$	%
Revenues	\$248,900	\$339,415	\$ 305,807	\$ (90,515)	(26.7)%	\$ 33,608	11.0 %
Gross profit	28,214	42,672	44,796	(14,458)	(33.9)	(2,124)	(4.7)
Gross profit margin	11.3 %	12.6 %	14.6%	N/A	(130)bp	N/A	(200)bp
Operating expenses	29,965	33,972	26,748	(4,007)	(11.8)	7,224	27.0
Goodwill impairment	—	33,527	—	(33,527)	N/M	33,527	N/M
Acquisition-related expenses	—	323	656	(323)	N/M	(333)	(50.8)
Restructuring charges	2,735	—	—	2,735	N/M	—	—
Operating income (loss)	(4,486)	(25,150)	17,392	20,664	(82.2)	(42,542)	(244.6)
Operating margin	(1.8)%	(7.4)%	5.7%	N/A	560bp	N/A	(1,310)bp

“N/A” represents not applicable.

“N/M” represents not meaningful.

2016 Compared to 2015

Revenues

Revenues in Energy Services decreased \$90.5 million, or 26.7%, to \$248.9 million in 2016 compared to \$339.4 million in 2015. The decrease was due to a revenue decline of \$68.3 million in our upstream operation, located primarily in Central California and the Permian Basin. As part of the 2016 Restructuring, we significantly reduced our exposure to the upstream energy market in response to challenging upstream energy market conditions. Also contributing to the decrease in revenues was a decline of \$22.2 million in our downstream operation primarily due to reduced refinery clean-up, construction and turnaround activities.

Gross Profit and Gross Profit Margin

Gross profit in Energy Services decreased \$14.5 million, or 33.9%, to \$28.2 million in 2016 compared to \$42.7 million in 2015. The decrease in gross profit was primarily due to declining revenues, as noted above, and cost overruns mainly on certain isolated lump sum construction projects in the first half of 2016 associated with the downsizing of our upstream operation.

Gross profit margin declined 130 basis points to 11.3% in 2016 compared to 12.6% in 2015 primarily due to the cost overruns mentioned above and a decline in higher margin clean-up, construction and turnaround activities in our downstream operation.

Operating Expenses

Operating expenses in Energy Services decreased \$4.0 million, or 11.8%, to \$30.0 million in 2016 compared to \$34.0 million in 2015. As part of the 2016 Restructuring, we recognized charges of \$5.4 million in 2016 primarily related to the downsizing our upstream operation. Excluding restructuring charges, operating expenses decreased \$9.4 million, or 27.8%,

primarily due to controlled spending efforts as well as reserve decreases totaling \$4.1 million in 2016 for certain Brinderson pre-acquisition matters and a \$0.7 million expense in 2015 for severance related costs due to organizational leadership changes.

Operating expenses as a percentage of revenues were 12.0% and 10.0% in 2016 and 2015, respectively. Excluding restructuring charges noted above, operating expenses as a percentage of revenues were 9.9% and 10.0% in 2016 and 2015, respectively.

Operating Loss and Operating Margin

Operating loss in Energy Services decreased \$20.7 million, or 82.2%, to a loss of \$4.5 million in 2016 compared to a loss of \$25.2 million in 2015. Operating margin improved 560 basis points to (1.8)% in 2016 from (7.4)% in 2015.

Included in operating income (loss) were the following pre-tax items: (i) 2016 Restructuring charges of \$8.2 million primarily related to severance, retention, extension of benefits, employee assistance programs, wind-down, early lease termination and other restructuring costs related to the downsizing of our upstream operation in 2016, (ii) reserve decreases totaling \$4.1 million in 2016 for certain Brinderson pre-acquisition matters, (iii) goodwill impairment charges of \$33.5 million in 2015, and (iv) acquisition-related expenses of \$0.3 million in 2015 related to the purchase of Schultz.

Excluding the above items, operating income decreased \$9.2 million, or 105.2%, to a loss of \$0.5 million in 2016 compared to income of \$8.7 million in 2015 and operating margin declined 280 basis points to (0.2)% in 2016 compared to 2.6% in 2015. These decreases were primarily due to decreases in revenues and related impacts to gross profit and gross profit margins as noted above, partially offset by reduced operating expenses resulting from restructuring and a reduction in reserves related to certain Brinderson pre-acquisition matters.

2015 Compared to 2014

Revenues

Revenues in Energy Services increased \$33.6 million, or 11.0%, to \$339.4 million in 2015 compared to \$305.8 million in 2014. The increase was primarily driven by a \$55.8 million increase in refining maintenance and turnaround service activities in our downstream operation in the western United States. Robust demand for our downstream services resulted in record billable hours in 2015 as our customers operated refineries at high utilization. Partially offsetting the increase in revenues was a \$21.9 million revenue decline in our upstream operation as customers curtailed project activities in response to lower crude oil prices. The steep and rapid decline in crude oil prices beginning in late 2014 caused customers to tighten their capital expenditures, delay project start dates or renegotiate contract terms, including reductions in the prices of our products and services, or in some instances, contract cancellations or revisions.

Gross Profit and Gross Profit Margin

Gross profit in Energy Services decreased \$2.1 million, or 4.7%, to \$42.7 million in 2015 compared to \$44.8 million in 2014. The decrease in gross profit was primarily due to lower revenues and price pressures in our upstream operation, partially offset by higher revenues and related gross profit in our downstream operation.

Gross profit margin declined 200 basis points to 12.6% in 2015 compared to 14.6% in 2014 primarily due to price pressures and reductions in higher margin activities in our upstream operation. The reduction in higher margin activities made it more challenging to recover our labor and equipment costs.

Operating Expenses

Operating expenses in Energy Services increased \$7.2 million, or 27.0%, to \$34.0 million in 2015 compared to \$26.7 million in 2014. As part of the Brinderson escrow settlement, we recorded an offset to operating expenses of \$4.5 million in 2014. Excluding the Brinderson escrow settlement, operating expenses increased \$2.7 million, or 8.7%, to \$34.0 million in 2015 compared to \$31.2 million in 2014. The increase in operating expenses was primarily the result of additional support costs including sales staff, human resources and finance personnel to support growth in the downstream refining market, as well as increased corporate allocation costs as described earlier. Included in operating expenses for 2015 were expenses totaling \$1.8 million related to Schultz, which was acquired in March 2015. Additionally, we recognized \$0.7 million for employee severance costs related to organizational leadership changes in early 2015.

Operating expenses as a percentage of revenues were 10.0% and 8.7% in 2015 and 2014, respectively. Excluding the Brinderson escrow settlement, operating expenses as a percentage of revenues were 10.0% and 10.2% in 2015 and 2014, respectively.

Operating Income (Loss) and Operating Margin

Operating income in Energy Services decreased \$42.5 million, or 244.6%, to a loss of \$25.2 million in 2015 compared to \$17.4 million of income in 2014. Operating margin declined 1,310 basis points to (7.4)% in 2015 from 5.7% in 2014.

Included in operating income (loss) were goodwill impairment charges of \$33.5 million in 2015 and the Brinderson escrow settlement of \$4.5 million in 2014. Excluding these items, operating income decreased \$4.5 million, or 35.0%, to \$8.4 million in 2015 compared to \$12.9 million in 2014 and operating margin declined 170 basis points to 2.5% in 2015 from 4.2% in 2014. These decreases were primarily due to price pressures and reductions in higher margin activities in our upstream operation, partially offset by robust downstream refining activities in 2015. Also contributing to the declines in operating income and operating margin was an increase in operating expenses as noted above.

Included in operating income were charges for acquisition related expenses totaling \$0.3 million and \$0.7 million in 2015 and 2014, respectively. We incurred these charges mainly in connection with the Schultz acquisition in 2015 and trailing costs related to the Brinderson acquisition in 2013.

Other Income (Expense)

Interest Income and Expense

Interest income decreased less than \$0.1 million in 2016 compared to 2015. Interest expense decreased by \$1.0 million to \$15.0 million in 2016 compared to \$16.0 million in 2015. During the fourth quarter of 2015, we recognized charges of \$3.4 million related to certain arrangement fees associated with securing our new \$650.0 million senior secured credit facility as well as the write-off of previously unamortized deferred financing costs. Excluding these prior year charges, interest expense increased \$2.4 million in 2016 compared to 2015 due to higher borrowing costs under our new Credit Facility, higher debt balances resulting from the February 2016 acquisition of Underground Solutions and an increase in amortized loan fees.

Interest income decreased \$0.4 million to \$0.2 million in 2015 compared to \$0.6 million in 2014, primarily due to lower interest rates throughout the year. Interest expense increased by \$3.1 million to \$16.0 million in 2015 compared to \$12.9 million in 2014 primarily due to the fourth quarter of 2015 charges mentioned above, offset by reduced outstanding loan principal balances during 2015 compared to 2014.

Other Income (Expense)

Other expense was \$0.7 million in 2016 and primarily related to foreign currency transaction losses, partially offset by the release of cumulative currency translation gains related to disposed entities.

Other expense was \$2.9 million in 2015 and primarily related to foreign currency transaction losses, the \$2.9 million loss recognized on the sale of Video Injection - Insituform SAS and the \$0.6 million loss recognized on the sale of BPPC (both of which are discussed in Note 1 to the consolidated financial statements contained in this Report), partially offset by income of \$0.8 million related to a settlement of escrow claims for the acquisition of CRTS, Inc. (as discussed in Note 1 to the consolidated financial statements contained in this Report) and the recorded gains of approximately \$0.7 million on the sale of certain assets related to our restructured entities.

Other expense was \$3.9 million in 2014 and primarily related to foreign currency transaction losses, the \$0.5 million loss recognized on the sale of our 49% interest in Bayou Coating and the \$0.5 million loss recognized on the sale of Ka-te Insituform AG (both of which are discussed in Note 1 to the consolidated financial statements contained in this Report).

Taxes on Income (Loss)

Taxes on income decreased \$3.1 million to \$6.1 million in 2016 compared to \$9.2 million in 2015. Our effective tax rate for continuing operations was 17.3% and 757.6% in 2016 and 2015, respectively. The effective tax rate in 2016 was positively impacted by: (i) a \$4.2 million net benefit, or 11.8% benefit to the effective tax rate, related to reductions of previously recorded valuation allowances in the U.S., due to changes in the realization of future tax benefits and deferred tax composition changes; and (ii) a \$2.6 million net benefit from foreign tax rate differences primarily related to earnings from Europe. Partially offsetting these benefits was: (i) a \$1.4 million increase in the valuation allowance on certain net operating losses and deferred tax assets in foreign jurisdictions, primarily Europe; (ii) certain non-deductible tax items related to the 2016 Restructuring; and (iii) a higher mix of earnings toward U.S. jurisdictions, which generally have higher statutory tax rates.

The effective tax rate in 2015 was unfavorably impacted by: (i) significant pre-tax charges primarily related to goodwill impairments, certain of which are not deductible for tax purposes; (ii) U.S. income and foreign withholding taxes on the repatriation of foreign earnings; and (iii) the impact of establishing valuation allowances on deferred tax assets in jurisdictions where we are unlikely to recognize these benefits. Partially offsetting these items was a \$1.5 million net benefit from foreign tax rate differences primarily related to earnings from Europe and Canada.

Taxes on income increased \$13.0 million to \$9.2 million in 2015 compared to a tax benefit of \$3.8 million in 2014. Our effective tax rate for continuing operations was 757.6% and 10.7% in 2015 and 2014, respectively.

Equity in Earnings of Affiliated Companies

Equity in earnings of affiliated companies was zero in 2016 and 2015 and \$0.6 million in 2014. Equity in earnings of affiliated companies in 2014 includes three months of 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).

Non-controlling Interests

Income and loss attributable to non-controlling interests was a loss of \$0.3 million in 2016 and income of \$0.1 million and \$1.8 million in 2015 and 2014, respectively. In 2016, losses from our joint ventures in Mexico and Saudi Arabia were partially offset by profitability from our joint ventures in Oman and Louisiana. In 2015, profitability from our joint venture in Oman and our coating joint venture in Canada, was partially offset by losses from our joint venture in Mexico and our insulation coating joint venture in Louisiana, which experienced project inefficiencies and lower operational margins. In 2014, profitability from our joint ventures in Oman, Canada and Mexico was offset by lower income from our joint venture in Morocco and losses from the start-up of our Louisiana joint venture.

Loss from Discontinued Operations

Loss from discontinued operations was zero, zero and \$3.8 million in 2016, 2015 and 2014, respectfully. Our BWB 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 BWB, which included the settlement of outstanding receivables with a single customer associated with a larger fabrication project. We 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 \$6.0 million within discontinued operations.

Liquidity and Capital Resources

Cash and Equivalents

	December 31,	
	2016	2015
	<i>(in thousands)</i>	
Cash and cash equivalents	\$ 129,500	\$ 209,253
Restricted cash	4,892	5,796

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, potential acquisitions, working capital, debt service and share repurchases.

During 2016, capital expenditures were primarily related to the construction of the new plant utilized for the large pipe coating and insulation project in our Corrosion Protection segment. Additionally, capital expenditures were also related to growth and maintenance capital in our Infrastructure Solutions operations. For 2017, we expect a similar overall level of capital expenditures from that in 2016, with slightly increased capital expenditures to support the growth of our Infrastructure Solutions business and to expand our domestic cathodic protection facilities, offset by the completion of the pipe coating and insulation plant.

Under the terms of our Credit Facility, we are authorized to annually purchase up to \$40 million of our common stock in open market transactions, subject to Board of Director authorization. The shares are repurchased from time to time in the open market, subject to cash availability, market conditions and other factors, and in accordance with applicable regulatory requirements. We are not obligated to acquire any particular amount of common stock and, subject to applicable regulatory requirements, may commence, suspend or discontinue purchases at any time without notice or authorization. During 2016, we acquired 2,226,875 shares of our common stock for \$41.8 million (\$18.76 average price per share) through the open market repurchase program discussed above. In October 2016, our Board of Directors authorized the open market repurchase of up to

\$40.0 million of our common stock to be made during 2017. Any shares repurchased during 2017 are expected to be funded primarily through available cash. Once repurchased, we promptly retire such shares.

As part of our 2016 Restructuring, we incurred \$15.3 million in cash charges during 2016 related to employee severance, extension of benefits, employment assistance programs and early lease termination and other restructuring costs as we repositioned our Energy Services' upstream operations in California, right-sized Corrosion Protection to compete more effectively, and reduced corporate and other operating costs. We do not expect to incur any future cash costs related to the 2016 Restructuring. These actions reduced consolidated annual costs by approximately \$17.4 million primarily through headcount reductions and office closures.

As part of our 2014 Restructuring, we incurred cash charges of \$0.3 million in 2016 related to severance and benefits costs and other restructuring costs associated with exiting certain foreign locations. While estimated remaining cash costs to be incurred for the 2014 Restructuring are not expected to be material, we expect to incur additional non-cash charges in 2017, primarily related to the potential release of cumulative currency translation adjustments resulting from the disposal of certain entities as well as the foreign currency impact from settlement of inter-company loans.

At December 31, 2016, our cash balances were located worldwide for working capital and support needs. Given the breadth of our international operations, approximately \$66.5 million, or 51.4%, of our cash was denominated in currencies other than the United States dollar as of December 31, 2016. 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. As part of the February 2016 acquisition of Underground Solutions, we repatriated approximately \$29.7 million from foreign subsidiaries to assist in funding the transaction, incurring approximately \$3.2 million in additional taxes. This was viewed as a one-time, special-use transaction. 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, 2016, we believed our net accounts receivable and our costs and estimated earnings in excess of billings, as reported on our consolidated balance sheet, were fully collectible and a significant portion of the receivables will be collected within the next twelve months. From time to time, we have net receivables recorded that we believe will be collected but are being disputed by the customer in some manner. Disputes of this nature could meaningfully impact the timing of receivable collection or require us to invoke our contractual or legal rights in a lawsuit or alternative dispute resolution proceeding. 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.

In March 2016, we settled an outstanding project dispute with a client in Infrastructure Solutions. In connection with the settlement, we agreed to forgo approximately \$7.5 million in receivables owed by our client and we agreed to pay an additional \$2.4 million. During April 2016, we paid the settlement amount. The customer receivable, along with the related allowance for doubtful account, was written off as of March 31, 2016.

Cash Flows from Operations

Cash flows from operating activities of continuing operations provided \$73.2 million in 2016 compared to \$132.0 million provided in 2015. The decrease in operating cash flow from 2016 to 2015 was primarily due to lower cash-related earnings in 2016 and lower cash flows related to working capital primarily as a result of the timing of vendor payments. Net income during 2016 was negatively impacted by \$15.3 million in cash charges related to our 2016 Restructuring.

Working capital used \$10.1 million of cash during 2016 compared to \$35.5 million provided in 2015. This decrease in cash flow was primarily due to significant movements in billings in excess of costs and estimated earnings and prepaid expenses and other current assets. Our billings in excess of costs and estimated earnings was \$62.7 million at December 31, 2016, a decrease of \$24.8 million from December 31, 2015, due primarily to the timing of billing and advance deposits received on certain coating and insulation projects at our Bayou Louisiana facility. Our prepaid expenses and other current assets was \$51.8 million at December 31, 2016, a decrease of \$15.2 million from December 31, 2015, due primarily to the timing of advance deposits paid to suppliers on the same projects described above. Excluding the changes in the line items described above, the other elements of working capital provided \$0.9 million in cash in 2016 primarily due to a focused effort on accounts receivable management, partially offset by the timing of vendor payments. Days sales outstanding decreased by approximately five days as of December 31, 2016 compared to December 31, 2015 partially due to the coating and insulation project activity stated above and the impact of stronger collections in nearly all operations globally, with particular

improvement in the North American CIPP operation. During 2015 and 2014, we improved our DSO by fifteen and eight days, respectively.

Cash flows from operating activities of continuing operations provided \$81.9 million in 2014. The increase in operating cash flow from 2015 to 2014 was primarily related to increased contributions provided by working capital, partially offset by lower cash-related earnings in 2015. The net losses recorded in 2015 and 2014 primarily relate to non-cash charges of approximately \$48.7 million and \$97.1 million, respectively. Working capital provided \$35.5 million of cash during 2015 compared to \$17.9 million used in 2014. This increase in cash flow was primary due to significant movements in billings in excess of costs and estimated earnings and prepaid expenses and other current assets due primarily to the timing of billing and advance deposits received on the coating and insulation projects noted above. Also contributing to the increased cash flow was the focused effort on accounts receivable management, as described above.

Cash Flows from Investing Activities

Investing activities from continuing operations used \$127.3 million and \$39.1 million of cash in 2016 and 2015, respectively. During 2016, we used \$96.3 million to acquire Underground Solutions, selected assets of Fyfe Europe, the CIPP business of LMJ and Concrete Solutions. During 2015, we used \$6.7 million to acquire Schultz Mechanical Contractors. During 2016, we received proceeds of \$6.6 million, net of cash disposed, from the sale of our interest in our Canadian pipe coating operation. We used \$38.8 million in cash for capital expenditures in 2016 compared to \$29.5 million used in 2015. The increase during 2016 was primarily due to investments in growth capital related to our global Infrastructure Solutions operations and \$13.5 million in capital expenditures related to constructing the new pipe coating and insulation plant in our Corrosion Protection segment. In 2016 and 2015, \$1.2 million and \$0.9 million of non-cash capital expenditures were included in accounts payable and accrued expenditures. Capital expenditures in 2016 and 2015 were partially offset by \$3.3 million and \$3.2 million, respectively, in proceeds received from fixed asset disposals.

In 2014, investing activities from continuing operations used \$23.2 million of cash. We used \$32.9 million in cash for capital expenditures and sold our interests in Bayou Coating for a total sale price of \$9.1 million.

During 2017, we anticipate that we will spend approximately \$40.0 million to \$45.0 million for capital expenditures.

Cash Flows from Financing Activities

Cash flows from financing activities used \$25.9 million during 2016 compared to \$50.2 million used in 2015. In 2016 and 2015, we used cash of \$44.5 million and \$27.8 million, respectively, to repurchase 2.3 million and 1.5 million shares, respectively, of our common stock through open market purchases and in connection with our equity compensation programs. We had net borrowings of \$36.0 million from our line of credit during 2016, primarily to fund our acquisition activity, and we used cash of \$17.5 million to pay down the principal balance of our term loan. During 2015, we amended and restated our \$650.0 million credit facility and (i) borrowed \$350.0 million on the term loan; (ii) used cash of \$368.8 million to retire the previous credit facility; (iii) used cash of \$4.4 million for facility financing fees; and (iv) made a \$26.5 million mandatory prepayment on the balance of our term loan, utilizing \$26.0 million from our line of credit to fund the term loan prepayment.

In 2014, cash flows from financing activities used \$34.6 million of cash. During the year, we used cash of \$31.1 million to repurchase 1.3 million shares of our common stock. Additionally, we used cash of \$22.0 million to pay down the principal balance of our term loans and borrowed \$10.0 million on the line of credit under our credit facility for working capital needs.

Long-Term Debt

In October 2015, we entered into an amended and restated \$650.0 million senior secured credit facility with a syndicate of banks. 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.

Our indebtedness at December 31, 2016 consisted of \$328.1 million outstanding from the \$350.0 million term loan under the credit facility and \$36.0 million on the line of credit under the credit facility. During 2016, we (i) borrowed \$30.0 million on the line of credit to help fund the acquisition of Underground Solutions; (ii) borrowed \$3.0 million on the line of credit to help fund a small acquisition; and (iii) had net borrowings of \$3.0 million on the line of credit for both domestic and international working capital needs. Additionally, we designated \$9.6 million of debt held by our joint venture partners (representing funds loaned by our joint venture partners) as third-party debt in the consolidated financial statements and held \$0.3 million of third-party notes and bank debt at December 31, 2016.

As of December 31, 2016, we had \$28.2 million in letters of credit issued and outstanding under the credit facility. Of such amount, \$15.4 million was collateral for the benefit of certain of our insurance carriers and \$12.8 million was for letters of credit or bank guarantees of performance or payment obligations of foreign subsidiaries.

Also in October 2015, we entered into an interest rate swap agreement for a notional amount of \$262.5 million, which is set to expire in October 2020. The notional amount of this swap mirrored the amortization of a \$262.5 million portion of our \$350.0 million term loan drawn from our credit facility. The swap requires us to make a monthly fixed rate payment of 1.46% calculated on the amortizing \$262.5 million notional amount, and provides for us to receive a payment based upon a variable monthly LIBOR interest rate calculated on the same amortizing \$262.5 million notional amount. The receipt of the monthly LIBOR-based payment offsets the variable monthly LIBOR-based interest cost on a corresponding \$262.5 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.

The credit facility is subject to certain financial covenants, including a consolidated financial leverage ratio and consolidated fixed charge coverage ratio. At December 31, 2016, based upon the financial covenants, we had the capacity to borrow up to \$53.5 million of additional debt under our credit facility. We were in compliance with all covenants at December 31, 2016 and expect continued compliance for the foreseeable future.

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 increase in 2017 due to improved operating income, improved working capital management initiatives and the cost savings generated through our restructuring efforts.

See Note 7 to the consolidated financial statements contained in this Report for additional information and disclosures regarding our long-term debt.

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 11 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, 2016. This table includes cash obligations related to principal outstanding under existing debt agreements and operating leases (in thousands):

Cash Obligations ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Payments Due by Period						
	Total	2017	2018	2019	2020	2021	Thereafter
Long-term debt and notes payable	\$ 374,026	\$ 19,835	\$ 35,899	\$ 28,438	\$ 289,854	\$ —	\$ —
Interest on long-term debt	38,321	11,084	10,420	9,575	7,242	—	—
Operating leases	61,085	18,976	14,610	10,723	7,035	4,818	4,923
Total contractual cash obligations	\$ 473,432	\$ 49,895	\$ 60,929	\$ 48,736	\$ 304,131	\$ 4,818	\$ 4,923

(1) Cash obligations are not discounted. See Notes 7 and 11 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 7 to the consolidated financial statements contained in this Report.

(3) 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, 2016, we had income tax receivable and income tax payable of \$4.6 million and \$1.9 million, respectively, recorded on our consolidated balance sheet.

(4) There were no material purchase commitments at December 31, 2016.

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 \$473.4 million at December 31, 2016. We have no other off-balance sheet financing arrangements or commitments. See Note 11 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 this 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. Approximately 69% of our revenues were derived from percentage-of-completion accounting in each of the years ended December 31, 2016, 2015 and 2014.

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.

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, 2016 and 2015 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 \$208.4 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.

Purchase Price Accounting

We account for our acquisitions in accordance with FASB ASC 805, *Business Combinations*. The base cash purchase price plus the estimated fair value of any non-cash or contingent consideration given for an acquired business is allocated to the assets acquired (including identified intangible assets) and liabilities assumed based on the estimated fair values of such assets and liabilities. The excess of the total consideration over the aggregate net fair values assigned is recorded as goodwill. Contingent consideration, if any, is recognized as a liability as of the acquisition date with subsequent adjustments recorded in the consolidated statements of operations. Indirect and general expenses related to business combinations are expensed as incurred.

We typically determine the fair value of tangible and intangible assets acquired in a business combination using independent valuations that rely on management's estimates of inputs and assumptions that a market participant would use. Key assumptions include cash flow projections, growth rates, asset lives, and discount rates based on an analysis of weighted average cost of capital.

Long-Lived Assets

Property, plant and equipment and other identified intangibles (primarily customer relationships, patents and acquired technologies, trademarks, licenses 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 our business model or changes in our capital strategy can result in the actual useful lives differing from our estimates. During 2016, no such changes were noted. If we determine that the useful life of our property, plant and equipment or our identified intangible assets should be changed, we 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. Our estimates of undiscounted cash flow may differ from actual cash flow due to, among other things, technological changes, economic conditions, changes to our business model or changes in our operating performance. If the sum of the undiscounted cash flows is less than the carrying value, we recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset.

Impairment Reviews - 2015

As a result of the annual impairment assessment in accordance with FASB ASC 350, *Intangibles - Goodwill and Other* ("FASB ASC 350") as of October 1, 2015, the CRTS reporting unit had a fair value below its carrying value, which caused us to review the financial performance of at risk asset groups within that reporting unit in accordance with FASB ASC 360, *Property, Plant and Equipment* ("FASB ASC 360"). The results of CRTS are reported within the Corrosion Protection reportable segment.

In response to contract losses in the Central California upstream energy market during the fourth quarter of 2015 and our subsequent decision to reduce exposure to the upstream market, we performed a market assessment of our energy-related businesses and concluded that sustained low oil prices would continue to create market challenges for the foreseeable future, including a continued reduction in spending by certain of our customers in 2016. The loss of the contracts, coupled with the decision to downsize, caused us to review the financial performance of at risk asset groups within the reporting unit. The results of Energy Services are reported within the Energy Services 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.

Impairment Review - September 30, 2014

As part of the 2014 Restructuring, we evaluated the long-lived assets of our 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.

We performed an asset impairment review as of September 30, 2014 for all of our at risk asset groups within each of the affected reporting units in accordance with FASB ASC 360. We also engaged a third-party valuation firm to assist in determining the fair value of long-lived assets at these at risk asset groups. 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. 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. 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 performed an asset impairment review as of December 31, 2014 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. 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 12.

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 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 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, 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 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. 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 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 (including the risk-free rate on twenty year U.S. Treasury bonds), and certain other company-specific and market-based factors. As each reporting unit has a different risk profile based on the nature of its operations, the WACC for each reporting unit is adjusted, as appropriate, to account for company-specific risks. Accordingly, the WACC for each reporting unit may differ.

Annual Impairment Assessment - October 1, 2016

We had nine reporting units for purposes of assessing goodwill at October 1, 2016 as follows: North America Pipe Rehabilitation, Europe Pipe Rehabilitation, Asia-Pacific Pipe Rehabilitation, Fyfe, Corrrpro, United Pipeline Systems, Bayou, Coating Services and Energy Services. During 2016, we acquired four businesses (see Note 1 to the consolidated financial statements contained in this Report). Underground Solutions was integrated into the North America Pipe Rehabilitation reporting unit; LMJ was integrated into the Europe Pipe Rehabilitation reporting unit; and Fyfe Europe and Concrete Solutions were integrated into the Fyfe reporting unit.

During the fourth quarter of 2016, certain leadership changes and recent acquisitions within Infrastructure Solutions caused us to assess potential reporting unit composition changes, including consideration of aggregation criteria in accordance with FASB ASC 280-10-50-11 and FASB ASC 350-20-55, for certain of our reporting units. In particular, we considered the new management structure in addition to economic similarities and related performance measurement metrics in aggregating our North America Pipe Rehabilitation, Europe Pipe Rehabilitation and Asia-Pacific Pipe Rehabilitation reporting units into a single reporting unit. As noted above, all three reporting units were tested individually during the Company's 2016 annual impairment testing. There were no indications of impairment noted during this testing, nor were there any indications of

impairment during the fourth quarter of 2016 leading up to the reassessment. After assessing the above criteria, we aggregated the three reporting units into a single reporting unit, Municipal Pipe Rehabilitation, as of December 31, 2016. Going forward in 2017, our annual impairment test will be performed at the Municipal Pipe Rehabilitation reporting unit level.

Significant assumptions used in our October 2016 goodwill review included: (i) discount rates ranging from 12.0% to 16.0%; (ii) compound annual growth rates for revenues generally ranging from 2.2% to 7.2% for a majority of the reporting units, with one reporting unit utilizing a 10.8% annual growth rate due to a lower baseline and higher growth trajectory based on recent acquisitions and market potential; (iii) gross margin stability or slight improvement in the short term related to certain reporting units in the energy sector, but sustained or slightly increased gross margins long term; (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 the assessment of our reporting units' fair values in relation to their respective carrying values, three reporting units had a fair value in excess of 30% of their carrying value, five reporting units had a fair value in excess of 10%, but below 30% of their carrying value, and one reporting unit had a fair value within 10% percent of its carrying value. The reporting unit with a fair value within 10% of its carrying value was the Energy Services reporting unit. The total value of goodwill recorded at the impairment testing date for the Energy Services reporting unit was \$46.7 million.

For the Energy Services reporting unit, excess fair value in relation to its carrying value was 9.9%. The values derived from both the income approach and the market approach increased from the December 31, 2015 goodwill impairment review, and the fair value in relation to its carrying value improved from the prior year due to the successful restructuring efforts in 2016 to reposition our upstream energy business in Central California. The fair value for Energy Services increased \$11.8 million, or 8.8%, from the prior year analysis. The 2016 analysis assumed a weighted average cost of capital of 13.0% and a long-term growth rate of 2.0%, which are both consistent with the December 31, 2015 review. The income approach analysis also included an annual revenue growth rate of approximately 5.4%, which is higher than the 2.6% growth assumed in the prior year analysis; while gross margins and EBITDA margins were decreased slightly in the short term due to the continued softness in the upstream energy markets. Projected cash flows were based, in part, on favorable refinery maintenance, construction and turnaround activity in 2017 and 2018. Prolonged periods of reduced customer spending could have a material negative affect on Energy Services' projected long-term cash flows, which could lead to future impairment charges.

Annual Impairment Assessment - October 1, 2015

As a result of the annual impairment assessment in accordance with FASB ASC 350, the CRTS reporting unit had a fair value less than its carrying value. Long-term expectations for the CRTS businesses remained low due to continued 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. CRTS secured sizable project wins during 2014 and 2015; however, most were situated in international onshore and mining markets, which typically offer lower margin profiles. As a result of failing Step 1, we performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. Based on this analysis, we determined that recorded goodwill at CRTS was impaired by \$10.0 million, which was recorded to "Goodwill impairment" in the Consolidated Statement of Operations in the fourth quarter of 2015. As of December 31, 2015, we had remaining CRTS goodwill of \$4.4 million. Projected cash flows were based, in part, on maintaining a presence in the higher-margin, international offshore pipeline market and our ability to expand its technology to other applications. If these assumptions do not materialize in a manner consistent with our expectations, there is risk of further impairment to recorded goodwill.

Impairment Review - December 31, 2015

In response to contract losses in the Central California upstream energy market during the fourth quarter of 2015 and our subsequent decision to reduce exposure to the upstream market, we performed a market assessment of our energy-related businesses and concluded that sustained low oil prices would continue to create market challenges for the foreseeable future, including a continued reduction in spending by certain of our customers in 2016. The loss of the contracts, coupled with the decision to downsize, caused us to review the goodwill of our operations affected by these circumstances and determined that a triggering event had occurred. As such, we performed an interim goodwill impairment review for our Energy Services reporting unit as of December 31, 2015. In accordance with the provisions of FASB ASC 350, we determined the fair value of the affected reporting unit and it was found to be less than the carrying value.

For the Energy Services reporting unit, fair value in relation to its carrying value was negative 27.6%. The values derived from the income approach and the market approach decreased 29.0% and 27.6%, respectively, from the October 1, 2015 goodwill impairment analysis. Our expected future cash flows in 2016 and beyond were lowered primarily due to the loss of two key contracts in the Central California upstream energy market in the fourth quarter of 2015. The impairment analysis assumed a weighted average cost of capital of 13.0%, compared 13.5% in the October 1, 2015 review, and a long-term growth rate of 2.0%, which is consistent with the October 1, 2015 review. The income approach analysis included a year 1 decrease in revenue of approximately \$90 million and an annual revenue growth rate thereafter of approximately 2.6%, which was slightly

lower than the 3.3% annual growth in the previous analysis. Average gross margins were generally consistent between the two analyses; however, operating expenses declined in a manner consistent with revenues as a result of the benefits expected to be achieved from the 2016 Restructuring. 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 Energy Services was impaired by \$33.5 million, which was recorded to “Goodwill impairment” in the Consolidated Statement of Operations in the fourth quarter of 2015. As of December 31, 2015, we had remaining Energy Services goodwill of \$46.7 million. Projected cash flows were based on maintaining a smaller but profitable presence in the upstream energy market and continued strength in the Central California downstream energy market. Also included in the projected cash flows were certain cost savings expected to be achieved through the 2016 Restructuring. If these assumptions do not materialize in a manner consistent with our expectations, there is risk of further impairment to recorded goodwill.

Impairment Review - September 30, 2014

As a result of the 2014 Restructuring, 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 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.

Annual Impairment Assessment - October 1, 2014

As a result of the annual impairment assessment in accordance with FASB ASC 350, the Fyfe reporting unit had a fair value less than its carrying value. Longer-term expectations for the Fyfe businesses, primarily in North America, were lowered in 2014 because investments in operational leadership and business development yielded slower than expected growth. In previous years, we expected bidding activity would increase in 2014 and result in new contract wins that would commence in 2014 and 2015. While stability was restored and improvements were made in 2014, the ability to sustain new order intake and improve gross profits did not materialize as rapidly as expected. As a result of failing Step 1, we performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. Based on this analysis, we 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, we had remaining Fyfe goodwill of \$50.2 million. Future cash flows included increased revenue projections related to growth in the pipeline market, specifically industrial and municipal pipelines. Delays in those growth projections could have a material negative affect on Fyfe’s projected long-term cash flows. Also included in the projected cash flows were certain cost savings expected to be achieved through the 2014 Restructuring. If any of these assumptions do not materialize in a manner consistent with our expectations, there is risk of further 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, 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. As a result of failing Step 1, we performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. Based on this analysis, we 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, expected future cash flows were impacted by the 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. As a result of failing Step 1, we performed Step 2 procedures, which compares the carrying value of goodwill to its implied fair value. Based on this analysis, we 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, we had remaining CRTS goodwill of \$14.4 million. See subsequent impairment review performed as of October 1, 2015 above.

The following table presents a reconciliation of the beginning and ending balances of goodwill at January 1, 2016 and December 31, 2016 (in millions):

	Infrastructure Solutions	Corrosion Protection	Energy Services	Total
Balance, January 1, 2016				
Goodwill, gross	\$ 190,525	\$ 73,345	\$ 80,246	\$ 344,116
Accumulated impairment losses	(16,069)	(45,400)	(33,527)	(94,996)
Goodwill, net	174,456	27,945	46,719	249,120
Acquisitions ⁽¹⁾	50,585	—	—	50,585
Foreign currency translation	(1,616)	530	—	(1,086)
Balance, December 31, 2016				
Goodwill, gross	239,494	73,875	80,246	393,615
Accumulated impairment losses	(16,069)	(45,400)	(33,527)	(94,996)
Goodwill, net	<u>\$ 223,425</u>	<u>\$ 28,475</u>	<u>\$ 46,719</u>	<u>\$ 298,619</u>

⁽¹⁾ During 2016, we recorded goodwill of \$44.0 million, \$2.4 million, \$0.8 million and \$3.4 million related to the acquisitions of Underground Solutions, Fyfe Europe, LMJ and Concrete Solutions, respectively (see Note 1 to the consolidated financial statements contained in this Report).

Accounting Standards Updates

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, 2016 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, 2016 was variable rate debt. We substantially mitigate our interest rate risk through interest rate swap agreements, which are used to hedge the volatility of monthly LIBOR rate movement of our debt. We currently utilize interest rate swap agreements with a notional amount that mirrors approximately 75% of our outstanding borrowings from the term loan under our Credit Facility.

At December 31, 2016, the estimated fair value of our long-term debt was approximately \$366.0 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, 2016 would result in a \$1.1 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, 2016, 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 \$17.6 million impact to our equity through accumulated other comprehensive income (loss).

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, 2016, there were no material foreign currency hedge instruments outstanding. See Note 12 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.

We rely on a select group of third-party extruders to manufacture our Fusible PVC[®] pipe products.

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, 2016. 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, 2016.

The scope of management's evaluation did not include the recent acquisition of Underground Solutions, Inc. Underground Solutions, Inc. is a wholly-owned subsidiary whose total assets and total revenues represented 1.4% and 2.4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

Because of 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.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 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 Shareholders 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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 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, 2016, 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.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Underground Solutions, Inc. from its assessment of internal control over financial reporting as of December 31, 2016 because it was acquired by the Company in a purchase business combination during 2016. We have also excluded Underground Solutions, Inc. from our audit of internal control over financial reporting. Underground Solutions, Inc. is a wholly-owned subsidiary whose total assets and total revenues represent 1.4% and 2.4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

/s/ PricewaterhouseCoopers LLP

Saint Louis, Missouri
March 1, 2017

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

	Years Ended December 31,		
	2016	2015	2014
Revenues	\$ 1,221,920	\$ 1,333,570	\$ 1,331,421
Cost of revenues	968,756	1,057,783	1,051,438
Gross profit	253,164	275,787	279,983
Operating expenses	197,099	209,477	234,105
Goodwill impairment	—	43,484	51,512
Definite-lived intangible asset impairment	—	—	12,116
Gain on litigation settlement	(6,625)	—	—
Acquisition-related expenses	2,696	1,912	1,375
Restructuring charges	9,168	968	687
Operating income (loss)	50,826	19,946	(19,812)
Other income (expense):			
Interest expense	(15,029)	(16,044)	(12,943)
Interest income	166	218	633
Other	(694)	(2,905)	(3,853)
Total other expense	(15,557)	(18,731)	(16,163)
Income (loss) before taxes on income	35,269	1,215	(35,975)
Taxes (benefit) on income (loss)	6,109	9,205	(3,840)
Income (loss) before equity in earnings of affiliated companies	29,160	(7,990)	(32,135)
Equity in earnings of affiliated companies	—	—	570
Income (loss) from continuing operations	29,160	(7,990)	(31,565)
Loss from discontinued operations	—	—	(3,847)
Net income (loss)	29,160	(7,990)	(35,412)
Non-controlling interests (income) loss	328	(77)	(1,755)
Net income (loss) attributable to Aegion Corporation	\$ 29,488	\$ (8,067)	\$ (37,167)
Earnings per share attributable to Aegion Corporation:			
Basic:			
Income (loss) from continuing operations	\$ 0.85	\$ (0.22)	\$ (0.88)
Loss from discontinued operations	—	—	(0.10)
Net income (loss)	\$ 0.85	\$ (0.22)	\$ (0.98)
Diluted:			
Income (loss) from continuing operations	\$ 0.84	\$ (0.22)	\$ (0.88)
Loss from discontinued operations	—	—	(0.10)
Net income (loss)	\$ 0.84	\$ (0.22)	\$ (0.98)

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

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

	Years Ended December 31,		
	2016	2015	2014
Net income (loss)	\$ 29,160	\$ (7,990)	\$ (35,412)
Other comprehensive income (loss):			
Currency translation adjustments	(6,343)	(25,379)	(27,591)
Pension activity, net of tax ⁽¹⁾	(8)	145	(576)
Deferred gain on hedging activity, net of tax ⁽²⁾	746	279	296
Total comprehensive income (loss)	23,555	(32,945)	(63,283)
Comprehensive (income) loss attributable to non-controlling interests	294	1,686	(605)
Comprehensive income (loss) attributable to Aegion Corporation	<u>\$ 23,849</u>	<u>\$ (31,259)</u>	<u>\$ (63,888)</u>

⁽¹⁾ Amounts presented net of tax of \$(2), \$37 and \$(158) for the years ended December 31, 2016, 2015, and 2014, respectively.

⁽²⁾ Amounts presented net of tax of \$496, \$187 and \$196 for the years ended December 31, 2016, 2015 and 2014, 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,	
	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 129,500	\$ 209,253
Restricted cash	4,892	5,796
Receivables, net of allowances of \$6,098 and \$14,524, respectively	186,016	200,883
Retainage	33,643	37,285
Costs and estimated earnings in excess of billings	62,401	89,141
Inventories	63,953	47,779
Prepaid expenses and other current assets	51,832	66,999
Assets held for sale	—	21,060
Total current assets	<u>532,237</u>	<u>678,196</u>
Property, plant & equipment, less accumulated depreciation	<u>156,747</u>	<u>144,833</u>
Other assets		
Goodwill	298,619	249,120
Identified intangible assets, less accumulated amortization	194,911	174,118
Deferred income tax assets	1,848	2,130
Other assets	9,220	5,616
Total other assets	<u>504,598</u>	<u>430,984</u>
Total Assets	<u>\$ 1,193,582</u>	<u>\$ 1,254,013</u>
Liabilities and Equity		
Current liabilities		
Accounts payable	\$ 63,058	\$ 72,732
Accrued expenses	85,010	112,951
Billings in excess of costs and estimated earnings	62,698	87,475
Current maturities of long-term debt	19,835	17,648
Liabilities held for sale	—	6,961
Total current liabilities	<u>230,601</u>	<u>297,767</u>
Long-term debt, less current maturities	<u>350,785</u>	<u>333,480</u>
Deferred income tax liabilities	<u>23,339</u>	<u>19,386</u>
Other non-current liabilities	<u>12,674</u>	<u>8,824</u>
Total liabilities	<u>617,399</u>	<u>659,457</u>
(See Commitments and Contingencies: Note 11)		
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 33,956,304 and 36,053,499, respectively	340	361
Additional paid-in capital	166,598	199,951
Retained earnings	455,062	425,574
Accumulated other comprehensive loss	(53,500)	(47,861)
Total stockholders' equity	<u>568,500</u>	<u>578,025</u>
Non-controlling interests	7,683	16,531
Total equity	<u>576,183</u>	<u>594,556</u>
Total Liabilities and Equity	<u>\$ 1,193,582</u>	<u>\$ 1,254,013</u>

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 (Loss)	Non- Controlling Interests	Total Equity
	Shares	Amount					
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)
Shares repurchased and retired	(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
Net income (loss)	—	—	—	(8,067)	—	77	(7,990)
Issuance of common stock upon stock option exercises, including tax benefit	209,205	2	2,464	—	—	—	2,466
Issuance of shares pursuant to restricted stock units	12,646	—	—	—	—	—	—
Issuance of shares pursuant to deferred stock unit awards	27,779	—	—	—	—	—	—
Forfeitures of restricted shares	(54,045)	(1)	—	—	—	—	(1)
Shares repurchased and retired	(1,502,601)	(14)	(27,789)	—	—	—	(27,803)
Equity-based compensation expense	—	—	7,987	—	—	—	7,987
Investment by non-controlling interests	—	—	—	—	—	239	239
Purchase of non-controlling interests	—	—	—	—	—	(472)	(472)
Currency translation adjustment and derivative transactions, net	—	—	—	—	(23,192)	(1,763)	(24,955)
BALANCE, December 31, 2015	36,053,499	\$ 361	\$ 199,951	\$ 425,574	\$ (47,861)	\$ 16,531	\$ 594,556
Net income (loss)	—	—	—	29,488	—	(328)	29,160
Issuance of common stock upon stock option exercises, including tax benefit	114,307	1	1,817	—	—	—	1,818
Issuance of shares pursuant to restricted stock units	141,507	1	—	—	—	—	1
Issuance of shares pursuant to deferred stock unit awards	39,660	—	—	—	—	—	—
Forfeitures of restricted shares	(42,775)	—	—	—	—	—	—
Shares repurchased and retired	(2,349,894)	(23)	(44,431)	—	—	—	(44,454)
Equity-based compensation expense	—	—	9,261	—	—	—	9,261
Sale of non-controlling interest	—	—	—	—	—	(7,278)	(7,278)
Distributions to non-controlling interests	—	—	—	—	—	(1,276)	(1,276)
Currency translation adjustment and derivative transactions, net	—	—	—	—	(5,639)	34	(5,605)
BALANCE, December 31, 2016	33,956,304	\$ 340	\$ 166,598	\$ 455,062	\$ (53,500)	\$ 7,683	\$ 576,183

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

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

	Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	\$ 29,160	\$ (7,990)	\$ (35,412)
Loss from discontinued operations	—	—	3,847
	29,160	(7,990)	(31,565)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	46,719	43,791	44,312
Gain on sale of fixed assets	(1,916)	(929)	(310)
Equity-based compensation expense	9,261	7,987	5,073
Deferred income taxes	1,772	924	(16,816)
Equity in earnings of affiliated companies	—	—	(570)
Non-cash restructuring charges	300	1,816	20,592
Non-cash portion of litigation settlement	(3,000)	—	—
Fixed asset impairment	—	—	11,870
Definite-lived intangible asset impairment	—	—	12,116
Goodwill impairment	—	43,484	51,512
Debt issuance costs	—	3,377	157
Loss on sale of businesses	—	3,414	988
Loss on foreign currency transactions	911	80	627
Other	(1,044)	(168)	1,279
Changes in operating assets and liabilities (net of acquisitions):			
Restricted cash related to operating activities	2,055	(382)	(454)
Return on equity of affiliated companies	—	—	590
Receivables net, retainage and costs and estimated earnings in excess of billings	52,774	12,283	(41,211)
Inventories	(2,569)	6,984	(5,286)
Prepaid expenses and other assets	16,759	(28,895)	3,465
Accounts payable and accrued expenses	(49,259)	(582)	5,997
Billings in excess of costs and estimated earnings	(27,761)	45,700	19,100
Other operating	(946)	1,129	402
Net cash provided by operating activities of continuing operations	73,216	132,023	81,868
Net cash used in operating activities of discontinued operations	—	—	(1,045)
Net cash provided by operating activities	73,216	132,023	80,823
Cash flows from investing activities:			
Capital expenditures	(38,760)	(29,454)	(32,899)
Proceeds from sale of fixed assets	3,310	3,173	1,547
Patent expenditures	(1,043)	(1,503)	(1,923)
Restricted cash related to investing activities	(1,086)	(3,538)	(1,153)
Purchase of Underground Solutions, Inc., net of cash acquired	(84,740)	—	—
Purchase of Fyfe Europe S.A. and related companies	(2,800)	—	—
Purchase of CIPP business of Leif M. Jensen A/S	(3,235)	—	—
Purchase of Concrete Solutions Limited and Building Chemical Supplies Limited	(5,532)	—	—
Purchase of Schultz Mechanical Contractors, Inc.	—	(6,662)	—
Sale of interest in Bayou Perma-Pipe Canada, Ltd., net of cash disposed	6,599	—	—
Sale of interests in Bayou Coating, L.L.C.	—	—	9,065
Sale of Ka-te Insituform AG	—	—	1,123
Payment to Fyfe Asia sellers for final net working capital	—	(1,098)	—
Payment from Brinderson sellers for final net working capital	—	—	1,000
Net cash used in investing activities of continuing operations	(127,287)	(39,082)	(23,240)
Net cash provided by investing activities of discontinued operations	—	—	1,045
Net cash used in investing activities	(127,287)	(39,082)	(22,195)

Cash flows from financing activities:			
Proceeds from issuance of common stock upon stock option exercises, including tax effects	1,818	2,466	8,615
Repurchase of common stock	(44,454)	(27,804)	(31,085)
Sale of non-controlling interest	—	239	—
Purchase of or distributions to non-controlling interests	(1,276)	(472)	(617)
Payment of contingent consideration	(500)	(684)	—
Credit facility financing fees	—	(4,360)	(783)
Proceeds from notes payable	—	1,505	1,284
Principal payments on notes payable	—	(1,875)	—
Proceeds from line of credit	42,000	26,000	18,000
Payments on line of credit	(6,000)	(71,500)	(8,000)
Proceeds from long-term debt	—	350,000	—
Principal payments on long-term debt	(17,500)	(323,750)	(22,039)
Net cash used in financing activities	(25,912)	(50,235)	(34,625)
Effect of exchange rate changes on cash	(2,213)	(5,975)	(7,083)
Net increase (decrease) in cash and cash equivalents for the year	(82,196)	36,731	16,920
Cash and cash equivalents, beginning of year	211,696	174,965	158,045
Cash and cash equivalents, end of year	129,500	211,696	174,965
Cash and cash equivalents associated with assets held for sale, end of year	—	(2,443)	—
Cash and cash equivalents from continuing operations, end of year	\$ 129,500	\$ 209,253	\$ 174,965
Supplemental disclosures of cash flow information:			
Cash paid (received) for:			
Interest	\$ 11,118	\$ 9,873	\$ 9,602
Income taxes	(517)	8,753	12,594

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 combines innovative technologies with market leading expertise to maintain, rehabilitate and strengthen infrastructure around the world. Since 1971, the Company has played a pioneering role in finding transformational solutions to rehabilitate aging infrastructure, primarily pipelines in the wastewater, water, energy, mining and refining industries. The Company also maintains the efficient operation of refineries and other industrial facilities and provide innovative solutions for the strengthening of buildings, bridges and other structures. Aegion is committed to Stronger. Safer. Infrastructure[®]. The Company's products and services are currently utilized and performed in approximately 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's predecessor was 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 oil companies, primarily in the downstream market.

Recognizing that the breadth of offerings expanded beyond the Company's flagship Insituform[®] brand, which constituted less than half of the Company's revenues in 2011, the Company's reorganized Insituform Technologies, Inc. ("Insituform"), the 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 the Company's mission of extending its leadership capabilities to furnish products and services to provide: (i) long-term protection for water and wastewater pipes, oil and gas pipelines and infrastructure as well as commercial and governmental structures and transportation infrastructure; and (ii) integrated professional services to energy companies.

Acquisitions/Strategic Initiatives/Divestitures

2016 Restructuring

On January 4, 2016, the Company's board of directors approved a restructuring plan (the "2016 Restructuring") to reduce the Company's exposure to the upstream oil markets and to reduce consolidated expenses. During the year, the Company completed its 2016 Restructuring, which included repositioning Energy Services' upstream operations in California, reducing Corrosion Protection's upstream exposure by divesting its interest in a Canadian pipe coating joint venture, right-sizing Corrosion Protection to compete more effectively and reducing corporate and other operating costs. The 2016 Restructuring reduced consolidated annual expenses by approximately \$17.4 million primarily through headcount reductions and office closures. See Note 3.

Infrastructure Solutions Segment (“Infrastructure Solutions”)

On July 1, 2016, the Company acquired Concrete Solutions Limited (“CSL”) and Building Chemical Supplies Limited (“BCS”), two New Zealand companies (collectively, “Concrete Solutions”), for a purchase price paid at closing of NZD 7.5 million, approximately \$5.5 million. The purchase price is subject to post-closing working capital adjustments and included NZD 0.5 million held in escrow as security for post-closing purchase price adjustments and post-closing indemnification obligations of the previous owners. The sellers have the ability to earn up to an additional NZD 2.0 million, approximately \$1.4 million, of proceeds based on reaching certain performance targets in 2017, 2018 and 2019. The transaction was funded from the Company’s cash balances. CSL provides structural strengthening, concrete repair and bridge jointing solutions primarily through application of fiber reinforced polymer (“FRP”) and injection resins and had served as a Fibrwrap® certified applicator in New Zealand since the late 1990’s. BCS imports and distributes materials, including fiber reinforced polymer, injection resins, repair mortars and protective coatings.

On June 2, 2016, the Company acquired the cured-in-place pipe (“CIPP”) contracting operations of Leif M. Jensen A/S (“LMJ”), a Danish company and the Insituform licensee in Denmark since 2011. The purchase price was €2.9 million, approximately \$3.2 million, and was funded from the Company’s cash balances.

On May 13, 2016, the Company acquired the operations and territories of Fyfe Europe S.A. and related companies (“Fyfe Europe”) for a purchase price of \$3.0 million. The transaction was funded from the Company’s cash balances. Fyfe Europe held rights to provide Fibrwrap® product engineering and support to installers and applicators of FRP systems in 72 countries throughout Europe, the Middle East and North Africa. The acquisition of these territories now provides the Company with worldwide rights to market, manufacture and install the patented Tyfo® Fibrwrap® FRP technology.

On February 18, 2016, the Company acquired Underground Solutions, Inc. and its subsidiary, Underground Solutions Technologies Group, Inc. (collectively, “Underground Solutions”), for an initial purchase price of \$85.0 million plus an additional \$5.0 million for the value of the estimated tax benefits associated with Underground Solutions’ net operating loss carry forwards. The purchase price included \$6.3 million held in escrow as security for the post-closing purchase price adjustments and post-closing indemnification obligations of Underground Solutions’ previous owners. The transaction was funded partially from the Company’s cash balances and partially from borrowings under the Company’s revolving credit facility. To supplement the domestic cash balances, the Company repatriated approximately \$29.7 million from foreign subsidiaries to assist in funding the transaction, incurring approximately \$3.2 million in additional taxes, an accrual for which was included in the Company’s tax provision amounts for 2015. Underground Solutions provides infrastructure technologies for water, sewer and conduit applications.

In February 2015, the Company sold its wholly-owned subsidiary, Video Injection - Insituform SAS (“VII”), the Company’s French cured-in-place pipe (“CIPP”) contracting operation, to certain employees of VII. In connection with the sale, the Company entered into a five-year exclusive tube supply agreement whereby VII will purchase liners from Insituform Linings Limited. VII 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. The sale resulted in a loss of approximately \$2.9 million that was recorded to other income (expense) in the Consolidated Statement of Operations during the first quarter of 2015.

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 liners from Insituform Linings Limited. 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. The sale resulted in a loss of approximately \$0.5 million that was recorded to other income (expense) in the Consolidated Statement of Operations during the fourth quarter of 2014.

On October 6, 2014, the Company’s board of directors approved a realignment and restructuring plan (the “2014 Restructuring”) which included the decision to exit Insituform’s contracting markets in France, Switzerland, Hong Kong, Malaysia and Singapore (see Note 3). The Company has substantially completed all of the aforementioned objectives related to the 2014 Restructuring. See further discussion in Note 2 as to the impact that the 2014 Restructuring had on the Europe and Asia-Pacific goodwill reporting units.

Corrosion Protection Segment (“Corrosion Protection”)

On February 1, 2016, the Company sold its fifty-one percent (51%) interest in its Canadian pipe-coating joint venture, Bayou Perma-Pipe Canada, Ltd. (“BPPC”), to its joint venture partner, Perma-Pipe, Inc. The sale price was \$9.6 million, which consisted of a \$7.6 million payment at closing and a \$2.0 million promissory note, which was paid on July 28, 2016. BPPC served as the Company’s pipe coating and insulation operation in Canada. The sale of its interest in BPPC was part of a broader effort by the Company to reduce its exposure in the North American upstream market in light of expectations for a prolonged low oil price environment. As a result of the sale, the Company recognized a pre-tax, non-cash charge of approximately \$0.6 million at December 31, 2015 to reflect the expected loss on the sale of the business. This loss was derived

primarily from the release of cumulative currency translation adjustments and was recorded to other income (expense) in the Consolidated Statement of Operations.

In July 2015, the Company paid \$0.7 million to the sellers of CRTS, Inc. (“CRTS”) related to contingent consideration achieved during the year ended December 31, 2013. Also, in June 2015, the Company finalized the settlement of escrow claims made pursuant to the CRTS purchase agreement. As a result of the settlement, the Company received proceeds of approximately \$1.0 million in July 2015, of which \$0.2 million was recorded as an offset to operating expenses and the remaining \$0.8 million was recorded to other income (expense) in the Consolidated Statement of Operations for the year ended December 31, 2015.

As part of the 2014 Restructuring, 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 has also included additional capital investments in the remaining coating and insulation facilities to augment Bayou’s competitive position. See further discussion in Note 2 as to the impact that the 2014 Restructuring 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 after 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 \$1.2 million and the final equity distribution settlement of \$0.7 million resulted in a loss of \$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 became a wholly-owned subsidiary of the Company.

During 2013, the Company’s Board of Directors approved a plan of liquidation for its Bayou Welding Works (“BWW”) business. BWW ceased bidding new work and substantially completed all ongoing projects during the second quarter of 2013. During the fourth quarter of 2014, the Company completed its final liquidation of BWW, which resulted in a pre-tax charge of approximately \$6.0 million within discontinued operations in 2014. See Note 13.

Energy Services Segment (“Energy Services”)

On March 1, 2015, the Company acquired Schultz Mechanical Contractors, Inc. (“Schultz”), a California corporation, for a total purchase price of \$7.7 million. Schultz primarily services customers in California and Arizona and is a provider of piping installations, concrete construction and excavation and trenching services to the upstream and downstream oil and gas markets.

Purchase Price Accounting

During 2016, the Company substantially completed its accounting for Underground Solutions, Fyfe Europe, LMJ and Concrete Solutions, with the exception of final working capital adjustments. As the Company completes its final accounting for these acquisitions, future adjustments related to working capital, deferred income taxes, definite-lived intangible assets and goodwill could occur. Purchase price accounting related to Schultz was finalized in the first quarter of 2016. The goodwill and definite-lived intangible assets associated with the Schultz, Fyfe Europe and LMJ acquisitions are deductible for tax purposes; whereas, the goodwill and definite-lived intangible assets associated with the Underground Solutions and Concrete Solutions acquisitions are not deductible for tax purposes.

Underground Solutions, Fyfe Europe, LMJ, Concrete Solutions and Schultz made the following contributions to the Company's revenues and profits (in thousands):

	Year Ended December 31, 2016					Year Ended December 31, 2015
	Underground Solutions ⁽¹⁾	Fyfe Europe	LMJ	Concrete Solutions	Schultz ⁽²⁾	Schultz ⁽³⁾
Revenues	\$ 29,425	\$ 23	\$ 4,865	\$ 2,700	\$ 24,702	\$ 13,771
Net income (loss)	(2,694)	(764)	(1,153)	106	(1,068)	(1,470)

⁽¹⁾ The reported net loss for Underground Solutions for 2016 includes inventory step up expense of \$3.6 million, recognized as part of the accounting for business combinations, and an allocation of corporate expenses of \$3.2 million.

⁽²⁾ The reported net loss for Schultz for 2016 includes charges related to the 2016 Restructuring of \$0.2 million and an allocation of corporate expenses of \$2.9 million.

⁽³⁾ The reported net loss for Schultz for 2015 includes a pre-tax charge for goodwill impairment of \$1.7 million and an allocation of corporate expenses of \$1.0 million.

The following unaudited pro forma summary presents combined information of the Company as if the Underground Solutions, Fyfe Europe, LMJ, Concrete Solutions and Schultz acquisitions had occurred at the beginning of the year preceding their acquisition (in thousands, except earnings per share):

	Years Ended December 31,		
	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽³⁾
Revenues	\$ 1,231,900	\$ 1,387,465	\$ 1,339,147
Net income (loss) ⁽⁴⁾	29,743	(6,545)	(35,304)
Diluted earnings (loss) per share	\$ 0.84	\$ (0.18)	\$ (0.94)

⁽¹⁾ Includes pro-forma results related to Underground Solutions, Fyfe Europe, LMJ and Concrete Solutions.

⁽²⁾ Includes pro-forma results related to Underground Solutions, Fyfe Europe, LMJ, Concrete Solutions and Schultz.

⁽³⁾ Includes pro-forma results related to Schultz.

⁽⁴⁾ 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 Underground Solutions was \$88.4 million, which included: (i) a payment at closing of \$85.0 million; (ii) net payment of \$5.0 million for the value of the estimated tax benefits associated with Underground Solutions' net operating loss carry forwards; and (iii) working capital adjustments of \$1.6 million payable to the Company.

The transaction purchase price to acquire Fyfe Europe was \$3.0 million, which represented cash consideration paid at closing of \$2.8 million plus \$0.2 million of deferred contingent consideration, which was recorded to "Accrued expenses" in the Consolidated Balance Sheet at December 31, 2016.

The transaction purchase price to acquire LMJ was €2.9 million, approximately \$3.2 million, which was paid at closing.

The transaction purchase price to acquire Concrete Solutions was NZD 8.9 million, approximately \$6.4 million, which included: (i) a payment at closing of NZD 7.5 million, approximately \$5.5 million; (ii) a preliminary working capital adjustment of NZD 0.2 million, approximately \$0.1 million (payable to the sellers); and (iii) the estimated fair value of earnout consideration of NZD 1.2 million, approximately \$0.9 million, which was recorded to "Other non-current liabilities" in the Consolidated Balance Sheet at December 31, 2016. The fair value estimate was determined using observable inputs and significant unobservable inputs, which are based on level 3 inputs as defined in Note 12.

Total cash consideration recorded to acquire Schultz was \$6.7 million, which was funded by the Company's cash reserves. The cash consideration included the purchase price paid at closing of \$7.1 million less working capital adjustments of \$0.4 million. The total purchase price was \$7.7 million, which represented the cash consideration of \$6.7 million plus \$1.0 million of deferred contingent consideration. The fair value estimate of the contingent consideration was determined using observable inputs and significant unobservable inputs, which are based on level 3 inputs as defined in Note 12. During the first quarter of 2016, \$0.5 million of the contingent consideration was paid to the previous owners.

The following table summarizes the fair value of identified assets and liabilities of the Underground Solutions, Fyfe Europe, LMJ, Concrete Solutions and Schultz acquisitions at their respective acquisition dates (in thousands):

	Underground Solutions	Fyfe Europe	LMJ	Concrete Solutions	Schultz
Cash	\$ 3,630	\$ —	\$ —	\$ —	\$ —
Receivables and cost and estimated earnings in excess of billings	6,339	—	—	1,469	1,086
Inventories	12,629	—	504	857	—
Prepaid expenses and other current assets	671	—	—	18	19
Property, plant and equipment	2,755	50	1,194	422	162
Identified intangible assets	33,370	513	795	1,722	3,060
Deferred income tax assets	12,911	—	—	—	—
Other assets	90	—	—	—	—
Accounts payable	(4,653)	—	—	(837)	(663)
Accrued expenses	(5,900)	—	—	(149)	—
Billings in excess of cost and estimated earnings	(2,943)	—	—	—	—
Deferred tax liabilities	(14,562)	—	—	(482)	—
Total identifiable net assets	\$ 44,337	\$ 563	\$ 2,493	\$ 3,020	\$ 3,664
Total consideration recorded	\$ 88,370	\$ 3,000	\$ 3,235	\$ 6,393	\$ 7,662
Less: total identifiable net assets	44,337	563	2,493	3,020	3,664
Final purchase price goodwill	\$ 44,033	\$ 2,437	\$ 742	\$ 3,373	\$ 3,998

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.

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.

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 the Company's Energy Services segment 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. Businesses within the Company's Energy Services segment enter into customer contracts 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.

Foreign Currency Translation

Net foreign exchange transaction losses of \$0.9 million, \$0.1 million and \$0.6 million for 2016, 2015 and 2014, respectively, are included in "Other expense" in the Consolidated Statements of Operations.

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 latter half of 2014 and throughout 2015, most notably the Canadian dollar, Australian dollar, British pound and euro.

The Company's accumulated other comprehensive loss 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, 2016 and 2015, the Company had \$(54.9) million and \$(48.0) million, respectively, related to currency translation adjustments, \$1.0 million and \$(0.2) million, respectively, related to derivative transactions and \$0.4 million and \$0.4 million, respectively, related to pension activity in accumulated other comprehensive loss.

Research and Development

The Company expenses research and development costs as incurred. Research and development costs of \$4.7 million, \$2.8 million and \$2.6 million for the years ended December 31, 2016, 2015 and 2014, 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. The determination is based on the Company's ability to generate future taxable income and, at times, is dependent on its ability to implement strategic tax initiatives to ensure full utilization of recorded deferred tax assets. Should the Company not be able to implement the necessary tax strategies, it 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.

The Company recognizes tax liabilities in accordance with FASB ASC 740 and adjusts these liabilities when 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 the 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 the Company believes the resulting tax balances as of December 31, 2016 and 2015 were appropriately accounted for in accordance with FASB ASC 740, the ultimate outcome of such matters could result in favorable or unfavorable adjustments to the consolidated financial statements and such adjustments could be material.

Refer to Note 10 for additional information regarding taxes on income.

Earnings per Share

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

	Years Ended December 31,		
	2016	2015	2014
Weighted average number of common shares used for basic EPS	34,713,937	36,554,437	37,651,492
Effect of dilutive stock options and restricted and deferred stock unit awards	496,493	—	—
Weighted average number of common shares and dilutive potential common stock used in dilutive EPS	35,210,430	36,554,437	37,651,492

The Company excluded 324,804 and 318,059 stock options and restricted and deferred stock units in 2015 and 2014, respectively, from the diluted earnings per share calculation for the Company's common stock because of the reported net loss for each period. The Company excluded 77,807, 164,014 and 164,014 stock options in 2016, 2015 and 2014, 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.

Purchase Price Accounting

The Company accounts for its acquisitions in accordance with FASB ASC 805, *Business Combinations*. The base cash purchase price plus the estimated fair value of any non-cash or contingent consideration given for an acquired business is allocated to the assets acquired (including identified intangible assets) and liabilities assumed based on the estimated fair values of such assets and liabilities. The excess of the total consideration over the aggregate net fair values assigned is recorded as goodwill. Contingent consideration, if any, is recognized as a liability as of the acquisition date with subsequent adjustments recorded in the consolidated statements of operations. Indirect and general expenses related to business combinations are expensed as incurred.

The Company typically determines the fair value of tangible and intangible assets acquired in a business combination using independent valuations that rely on management's estimates of inputs and assumptions that a market participant would use. Key assumptions include cash flow projections, growth rates, asset lives, and discount rates based on an analysis of weighted average cost of capital.

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.

At December 31, 2016, the Company's balance in billings in excess of costs and estimated earnings was \$62.7 million, which decreased \$24.8 million from \$87.5 million at December 31, 2015 primarily due to the timing of billing and advance deposits received on certain coating and insulation projects at our Bayou Louisiana facility. Correspondingly, the Company's balance in prepaid expenses and other current assets was \$51.8 million at December 31, 2016, a decrease of \$15.2 million from \$67.0 million at December 31, 2015 due primarily to the timing of advance deposits paid to suppliers on those same projects.

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, 2016, 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 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. During 2016, no such changes were noted. 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 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 Reviews - 2015

As a result of the annual impairment assessment in accordance with FASB ASC 350, *Intangibles - Goodwill and Other* ("FASB ASC 350") as of October 1, 2015, the CRTS reporting unit had a fair value below its carrying value, which caused the Company to review the financial performance of at risk asset groups within that reporting unit in accordance with FASB ASC 360, *Property, Plant and Equipment* ("FASB ASC 360"). The results of CRTS are reported within the Corrosion Protection reportable segment.

In response to contract losses in the Central California upstream energy market during the fourth quarter of 2015 and the Company's subsequent decision to reduce exposure to the upstream market, the Company performed a market assessment of its energy-related businesses and concluded that sustained low oil prices would continue to create market challenges for the foreseeable future, including a continued reduction in spending by certain of its customers in 2016. The loss of the contracts, coupled with the decision to downsize, caused the Company to review the financial performance of at risk asset groups within the reporting unit. The results of Energy Services are reported within the Energy Services 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.

Impairment Review - September 30, 2014

As part of the 2014 Restructuring, 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.

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 FASB ASC 360. The Company also engaged a third-party valuation firm to assist in determining the fair value of long-lived assets at these at risk asset groups. 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. 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. 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 performed an asset impairment review as of December 31, 2014 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. 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 12.

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 (including the risk-free rate on twenty year U.S. Treasury bonds), and certain other company-specific and market-based factors. As each reporting unit has a different risk profile based on the nature of its operations, the WACC for each reporting unit is adjusted, as appropriate, to account for company-specific risks. Accordingly, the WACC for each reporting unit may differ.

Annual Impairment Assessment - October 1, 2016

The Company had nine reporting units for purposes of assessing goodwill at October 1, 2016 as follows: North America Pipe Rehabilitation, Europe Pipe Rehabilitation, Asia-Pacific Pipe Rehabilitation, Fyfe, Corrpro, United Pipeline Systems, Bayou, Coating Services and Energy Services. During 2016, the Company acquired four businesses (see Note 1). Underground Solutions was integrated into the North America Pipe Rehabilitation reporting unit; LMJ was integrated into the Europe Pipe Rehabilitation reporting unit; and Fyfe Europe and Concrete Solutions were integrated into the Fyfe reporting unit.

During the fourth quarter of 2016, certain leadership changes and recent acquisitions within Infrastructure Solutions caused management to assess potential reporting unit composition changes, including consideration of aggregation criteria in accordance with FASB ASC 280-10-50-11 and FASB ASC 350-20-55, for certain of its reporting units. In particular, the Company considered the new management structure in addition to economic similarities and related performance measurement metrics in aggregating its North America Pipe Rehabilitation, Europe Pipe Rehabilitation and Asia-Pacific Pipe Rehabilitation reporting units into a single reporting unit. As noted above, all three reporting units were tested individually during the Company's 2016 annual impairment testing. There were no indications of impairment noted during this testing, nor were there any indications of impairment during the fourth quarter of 2016 leading up to the reassessment. After assessing the above criteria, the Company aggregated the three reporting units into a single reporting unit, Municipal Pipe Rehabilitation, as of December 31, 2016. Going forward in 2017, the Company's annual impairment test will be performed at the Municipal Pipe Rehabilitation reporting unit level.

Significant assumptions used in the Company's October 2016 goodwill review included: (i) discount rates ranging from 12.0% to 16.0%; (ii) compound annual growth rates for revenues generally ranging from 2.2% to 7.2% for a majority of the reporting units, with one reporting unit utilizing a 10.8% annual growth rate due to a lower baseline and higher growth trajectory based on recent acquisitions and market potential; (iii) gross margin stability or slight improvement in the short term related to certain reporting units in the energy sector, but sustained or slightly increased gross margins long term; (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, three reporting units had a fair value in excess of 30% of their carrying value, five reporting units had a fair value in excess of 10%, but below 30% of their carrying value, and one reporting unit had a fair value within 10% percent of its carrying value. The reporting unit with a fair value within 10% of its carrying value was the Energy Services reporting unit. The total value of goodwill recorded at the impairment testing date for the Energy Services reporting unit was \$46.7 million.

For the Energy Services reporting unit, excess fair value in relation to its carrying value was 9.9%. The values derived from both the income approach and the market approach increased from the December 31, 2015 goodwill impairment review, and the fair value in relation to its carrying value improved from the prior year due to the successful restructuring efforts in 2016 to reposition the Company's upstream energy business in Central California. The fair value for Energy Services increased \$11.8 million, or 8.8%, from the prior year analysis. The 2016 analysis assumed a weighted average cost of capital of 13.0% and a long-term growth rate of 2.0%, which are both consistent with the December 31, 2015 review. The income approach analysis also included an annual revenue growth rate of approximately 5.4%, which is higher than the 2.6% growth assumed in the prior year analysis; while gross margins and EBITDA margins were decreased slightly in the short term due to the continued softness in the upstream energy markets. Projected cash flows were based, in part, on favorable refinery maintenance, construction and turnaround activity in 2017 and 2018. Prolonged periods of reduced customer spending could have a material negative affect on Energy Services' projected long-term cash flows, which could lead to future impairment charges.

Annual Impairment Assessment - October 1, 2015

As a result of the annual impairment assessment in accordance with FASB ASC 350, the CRTS reporting unit had a fair value less than its carrying value. Long-term expectations for the CRTS businesses remained low due to continued 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. CRTS secured sizable project wins during 2014 and 2015; however, most were situated in international onshore and mining markets, which typically offer lower margin profiles. 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. Based on this analysis, the Company determined that recorded goodwill at CRTS was impaired by \$10.0 million, which was recorded to "Goodwill impairment" in the Consolidated Statement of Operations in the fourth quarter of 2015. As of December 31, 2015, the Company had remaining CRTS goodwill of \$4.4 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 the Company's expectations, there is risk of further impairment to recorded goodwill.

Impairment Review - December 31, 2015

In response to contract losses in the Central California upstream energy market during the fourth quarter of 2015 and the Company's subsequent decision to reduce exposure to the upstream market, the Company performed a market assessment of its energy-related businesses and concluded that sustained low oil prices would continue to create market challenges for the foreseeable future, including a continued reduction in spending by certain of its customers in 2016. The loss of the contracts, coupled with the decision to downsize, caused the Company to review the goodwill of its operations affected by these circumstances and determined that a triggering event had occurred. As such, the Company performed an interim goodwill impairment review for its Energy Services reporting unit as of December 31, 2015.

In accordance with the provisions of FASB ASC 350, the Company determined the fair value of the affected reporting unit and it was found to be less than the carrying value. 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. Based on this analysis, the Company determined that recorded goodwill at Energy Services was impaired by \$33.5 million, which was recorded to "Goodwill impairment" in the Consolidated Statement of Operations in the fourth quarter of 2015. As of December 31, 2015, the Company had remaining Energy Services goodwill of \$46.7 million. Projected cash flows were based on maintaining a smaller but profitable presence in the upstream energy market and continued strength in the Central California downstream energy market. Also included in the projected cash flows were certain cost savings expected to be achieved through the 2016 Restructuring. If these assumptions do not materialize in a manner consistent with the Company's expectations, there is risk of further impairment to recorded goodwill.

Impairment Review - September 30, 2014

As a result of the 2014 Restructuring, 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 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.

Annual Impairment Assessment - October 1, 2014

As a result of the annual impairment assessment in accordance with FASB ASC 350, the Fyfe reporting unit had a fair value less than its carrying value. Longer-term expectations for the Fyfe businesses, primarily in North America, were lowered in 2014 because investments in operational leadership and business development yielded slower than expected growth. In previous years, the Company expected bidding activity would increase in 2014 and result in new contract wins that would commence in 2014 and 2015. While stability was restored and improvements were made in 2014, the ability to sustain new order intake and improve gross profits did not materialize as rapidly as expected. 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. 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. Future cash flows included increased revenue projections related to growth in the pipeline market, specifically industrial and municipal pipelines. Delays in those growth projections could have a material negative affect on Fyfe’s projected long-term cash flows. Also included in the projected cash flows were certain cost savings expected to be achieved through the 2014 Restructuring. If any of these assumptions do not materialize in a manner consistent with the Company’s expectations, there is risk of further 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. 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, 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. 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. 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, expected future cash flows were impacted by the 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. 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. 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. See subsequent impairment review performed as of October 1, 2015 above.

Investments in Affiliated Companies

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 (“affiliated companies”), are accounted for by the equity method. At December 31, 2016 and 2015, the Company did not own any 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 after 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 \$1.2 million and the final equity distribution settlement of \$0.7 million resulted in a loss of \$0.5 million that is recorded in other income (expense) on the consolidated statement of operations.

Net income presented below for the year ended December 31, 2014 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 was consolidated in the Company's financial statements as a result of its additional ownership through another Company subsidiary.

The Company did not maintain any investments in affiliated companies during the years ended December 31, 2016 and 2015.

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 investments in affiliated companies are summarized in the following table (in thousands):

Statement of operations data	Year Ended December 31, 2014⁽¹⁾
Revenue	\$ 9,088
Gross profit	3,489
Net income	2,413
Equity in earnings of affiliated companies	570

⁽¹⁾ Includes the results of Bayou Coating through the date of its sale in March 2014.

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, 2016, the Company consolidated any VIEs in which it was the primary beneficiary.

Financial data for consolidated variable interest entities are summarized in the following tables (in thousands):

Balance sheet data	December 31,	
	2016	2015 ⁽¹⁾
Current assets	\$ 51,354	\$ 60,730
Non-current assets	25,607	26,316
Current liabilities	29,324	24,784
Non-current liabilities	28,849	25,728

⁽¹⁾ Amounts include \$21.1 million of current assets and \$7.0 million of current liabilities classified as held for sale. See Note 5.

Statement of operations data	Years Ended December 31,		
	2016	2015	2014
Revenue	\$ 61,205	\$ 77,361	\$ 84,968
Gross profit	5,760	11,325	14,306
Net income (loss)	(3,075)	321	2,413

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.

Accounting Standards Updates

In January 2017, the FASB issued guidance that simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The standard requires an entity to perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. The standard is effective for fiscal years beginning after December 15, 2019, but early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The guidance is not expected to have a material impact on the consolidated financial statements and the Company intends to early adopt in 2017.

In November 2016, the FASB issued guidance requiring that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. As a result, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, and the new guidance is to be applied retrospectively. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements, other than the classification of restricted cash on the consolidated statement of cash flows.

In August 2016, the FASB issued guidance to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective retroactively in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the effect the guidance will have on its statement of cash flows.

In March 2016, the FASB issued guidance that simplifies several aspects of the accounting for share-based payment awards to employees, including the accounting for income taxes, classification of awards as either equity or liabilities and classification in the statement of cash flows. The standard is effective for public companies for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued guidance that requires lessees to present right-of-use assets and lease liabilities on the balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for the Company for its fiscal year beginning January 1, 2019, including interim periods within that fiscal year. Early adoption is permitted. Entities are required to use the modified retrospective approach for all existing leases as of the effective date; however, the standard provides for certain practical expedients. The Company is currently evaluating the effect the guidance will have on its financial condition and results of operations. As further described in Note 11, the Company has approximately \$61.1 million of minimum lease commitments under non-cancellable operating leases. Separate from those contracts, the Company is currently evaluating other existing arrangements to determine if they qualify for lease accounting under the new standard.

In November 2015, the FASB issued guidance that requires all deferred tax assets and liabilities, along with any related valuation allowance, to be presented as non-current within the Consolidated Balance Sheet. It is effective for annual reporting

periods beginning after December 15, 2016, but early adoption is permitted. At December 31, 2016, the Company reported both current and non-current deferred tax assets and liabilities; however, the prospective adoption of the guidance in the first quarter of 2017 will not have a material impact on its presentation of financial condition.

In September 2015, the FASB issued guidance that requires acquirers in a business combination to recognize measurement period adjustments in the reporting period in which the adjustment amounts are determined. This is a change from the previous requirement that the adjustments be recorded retrospectively. The Company's adoption of this standard in 2016 did not have a material impact on its consolidated financial statements.

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 was effective for the Company in the fourth quarter of 2016 and did not impact the Company's presentation of, or disclosures in, its consolidated 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 for the Company's fiscal year beginning January 1, 2018. Early adoption is permitted, although the Company does not intend to do so. Entities are allowed to transition to the new standard either on a full retrospective basis or under the cumulative effect method whereby the entity applies the new revenue standard as of the date of initial application without restatement of comparative period amounts.

The Company is still evaluating the impact of the new revenue standard including which transition approach will be applied. The Company has identified a project manager as well as a cross functional project team responsible for assessing the impact on its contracts. The implementation team is finalizing the project's assessment phase, which included the identification of the Company's key revenue streams (fixed fee, time and materials, product sales and royalty fees from license arrangements) and the comparison of historical accounting policies and practices to the requirements of the new revenue standard. The implementation team has also made substantial progress in the contract review phase of the project, which included identifying the population of contracts and a deep analysis of the new standard on individual contract terms, and initiated the process of identifying potential changes to business processes, systems and controls to support recognition and disclosure under the new standard.

Based on its preliminary assessment, the Company does not anticipate a significant change to the timing of revenue or cost recognition upon adoption of the new revenue standard. Revenues earned from construction, engineering and installation services that are recognized using the percentage-of-completion method of accounting under historical reporting practices are expected to remain largely unchanged. Other less significant revenue streams such as time and materials projects, product sales and royalty fees are still being evaluated, but significant changes are not expected at this time. Approved change orders and revised cost estimates could result in cumulative catch up adjustments to revenue under certain circumstances. We also expect to implement changes to our financial reporting process in order to comply with the disclosure requirements of the new revenue standard.

3. RESTRUCTURING

2016 Restructuring

On January 4, 2016, the Company's board of directors approved the 2016 Restructuring to reduce its exposure to the upstream oil markets and to reduce consolidated expenses. During the year, the Company completed its 2016 Restructuring, which included repositioning Energy Services' upstream operations in California, reducing Corrosion Protection's upstream exposure by divesting its interest in a Canadian pipe coating joint venture, right-sizing Corrosion Protection to compete more effectively and reducing corporate and other operating costs. The 2016 Restructuring reduced consolidated annual expenses by approximately \$17.4 million, of which approximately \$1.2 million, \$6.6 million and \$5.6 million related to recognized savings within Infrastructure Solutions, Corrosion Protection and Energy Services, respectively, and \$4.0 million related to reduced corporate costs. Cost savings were achieved primarily through office closures and reducing headcount by approximately 964 employees, or 15.5% of the Company's total workforce as of December 31, 2015.

The Company recorded total pre-tax charges, most of which were cash charges, of \$16.1 million (\$10.3 million after tax) in connection with the 2016 Restructuring. These charges included employee severance, retention, extension of benefits, employment assistance programs and other restructuring costs associated with the restructuring efforts described above.

During 2016, the Company recorded pre-tax expense related to the 2016 Restructuring as follows (in thousands):

	Year Ended December 31, 2016			
	Infrastructure Solutions	Corrosion Protection	Energy Services	Total
Severance and benefit related costs	\$ 2,249	\$ 3,588	\$ 1,559	\$ 7,396
Lease termination costs	—	154	983	1,137
Relocation and other moving costs	307	62	193	562
Other restructuring costs ⁽¹⁾	808	761	5,436	7,005
Total pre-tax restructuring charges ⁽²⁾	\$ 3,364	\$ 4,565	\$ 8,171	\$ 16,100

⁽¹⁾ For Energy Services, includes charges primarily related to downsizing the Company's upstream operations in California, inclusive of wind-down costs, professional fees, fixed asset disposals and certain other restructuring charges.

⁽²⁾ Includes \$1.4 million of corporate-related restructuring charges that have been allocated to the reportable segments.

2016 Restructuring costs related to severance, other termination benefit costs and early lease termination costs for the year ended December 31, 2016 were \$9.1 million, and reported, along with similar charges for the 2014 Restructuring, on a separate line in the Consolidated Statements of Operations in accordance with FASB ASC 420, *Exit or Disposal Cost Obligations*.

The following tables summarize all charges related to the 2016 Restructuring recognized in 2016 as presented in their affected line in the Consolidated Statements of Operations (in thousands):

	Year Ended December 31, 2016		
	Non-Cash Restructuring Charges	Cash Restructuring Charges ⁽¹⁾	Total
Cost of revenues ⁽²⁾	\$ —	\$ 278	\$ 278
Operating expenses ⁽³⁾	516	5,962	6,478
Restructuring charges ⁽⁴⁾	—	9,095	9,095
Other expense ⁽⁵⁾	249	—	249
Total pre-tax restructuring charges	\$ 765	\$ 15,335	\$ 16,100

⁽¹⁾ Cash charges consist of charges incurred during the period that will be settled in cash, either during the current period or future periods.

⁽²⁾ All charges relate to Corrosion Protection.

⁽³⁾ Operating expense charges mainly include wind-down and legal fees associated with the restructuring. Includes charges of \$0.6 million related to Infrastructure Solutions, \$0.5 million related to Corrosion Protection and \$5.4 million related to Energy Services.

⁽⁴⁾ Restructuring costs relate to severance, other termination benefit costs and early lease termination costs. Includes charges of \$2.6 million related to Infrastructure Solutions, \$3.8 million related to Corrosion Protection and \$2.7 million related to Energy Services.

⁽⁵⁾ All charges relate to the release of cumulative currency translation adjustments in Infrastructure Solutions.

The following tables summarize the 2016 Restructuring activity during 2016 (in thousands):

	2016 Charge to Income	Utilized in 2016		Reserves at December 31, 2016
		Cash ⁽¹⁾	Non-Cash	
Severance and benefit related costs	\$ 7,396	\$ 6,751	\$ —	\$ 645
Lease termination costs	1,137	1,012	—	125
Relocation and other moving costs	562	552	—	10
Other restructuring costs	7,005	6,120	765	120
Total pre-tax restructuring charges	\$ 16,100	\$ 14,435	\$ 765	\$ 900

⁽¹⁾ Refers to cash utilized to settle charges during 2016.

2014 Restructuring

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

The 2014 Restructuring generated annual operating cost savings of approximately \$10.8 million, which was in-line with the Company's estimate, and consisted of approximately \$8.4 million and \$2.4 million of recognized savings within Infrastructure Solutions and Corrosion Protection, respectively. The Company achieved these cost savings by (i) exiting certain unprofitable international locations for the Company's CIPP business and consolidating the Company's worldwide FRP business with the Company's global CIPP business, all of which is in Infrastructure Solutions; and (ii) eliminating certain idle facilities in the Company's pipe coating and insulation operation in Louisiana, which is in Corrosion Protection.

The Company has completed substantially all of the aforementioned objectives related to the 2014 Restructuring. Headcount reductions associated with the 2014 Restructuring totaled 86 as of December 31, 2016.

Total pre-tax 2014 Restructuring charges since inception were \$60.3 million (\$44.8 million after tax) and consisted of non-cash charges totaling \$48.3 million and cash charges totaling \$12.0 million. The non-cash charges of \$48.3 million included (i) \$22.2 million related to the impairment of certain long-lived assets and definite-lived intangible assets for Bayou's pipe coating operation in Louisiana; and (ii) \$26.1 million related to impairment of definite-lived intangible assets, allowances for accounts receivable, write-off of certain other current assets and long-lived assets, inventory obsolescence, as well as losses related to the sales of the Company's CIPP contracting operations in France and Switzerland, which are reported in Infrastructure Solutions. Cash charges totaling \$12.0 million included employee severance, retention, extension of benefits, employment assistance programs and other costs associated with the restructuring of Insituform's European and Asia-Pacific operations and Fyfe's worldwide business.

While estimated remaining cash costs to be incurred in 2017 for the 2014 Restructuring are not expected to be material, the Company expects to incur additional non-cash charges in 2017, primarily related to the potential release of cumulative currency translation adjustments resulting from the disposal of certain entities as well as the foreign currency impact from settlement of inter-company loans.

The Company recorded pre-tax expenses of \$(0.2) million, \$11.0 million and \$49.5 million in 2016, 2015 and 2014, respectively, related to the 2014 Restructuring as follows (in thousands):

	Years Ended December 31,				
	2016 ⁽¹⁾	2015 ⁽¹⁾	2014		
	Total	Total	Infrastructure Solutions	Corrosion Protection	Total
Severance and benefit related costs	\$ 73	\$ 801	\$ 687	\$ —	\$ 687
Lease termination costs	—	167	—	—	—
Allowances for doubtful accounts	(585)	1,186	11,947	—	11,947
Inventory obsolescence	—	—	2,746	—	2,746
Fixed asset impairment	—	—	533	11,338	11,871
Other asset write-offs	—	1,880	5,013	10,896	15,909
Other restructuring costs ⁽²⁾	340	6,946	6,358	—	6,358
Total pre-tax restructuring charges	\$ (172)	\$ 10,980	\$ 27,284	\$ 22,234	\$ 49,518

⁽¹⁾ All charges relate to Infrastructure Solutions.

⁽²⁾ Includes charges related to the losses on the sales of the CIPP contracting operations in France in February 2015 and Switzerland in December 2014, including the release of cumulative currency translation adjustments resulting from those sales. Also includes the write-off of certain other current assets and long-lived assets, professional fees and certain other restructuring charges.

Restructuring costs related to severance, other termination benefit costs and early lease termination costs for the years ended 2016, 2015 and 2014 were \$0.1 million, \$1.0 million and \$0.7 million, respectively, and reported, along with similar charges for the 2016 Restructuring, on a separate line in the Consolidated Statements of Operations in accordance with FASB ASC 420, *Exit or Disposal Cost Obligations*.

The following table summarizes all 2014 Restructuring charges recognized in 2016, 2015 and 2014, as presented in their affected line in the Consolidated Statements of Operations:

	Year Ended December 31, 2016		
	Other Non-Cash Restructuring Charges ⁽¹⁾	Cash Restructuring Charges (Reversals) ⁽¹⁾	Total
Cost of revenues	\$ —	\$ 55	\$ 55
Operating expenses	(465)	165	(300)
Restructuring charges	—	73	73
Total pre-tax restructuring charges ⁽²⁾	\$ (465)	\$ 293	\$ (172)

⁽¹⁾ Cash charges consist of charges incurred during the period that will be settled in cash, either during the current period or future periods.

⁽²⁾ All charges relate to Infrastructure Solutions.

	Year Ended December 31, 2015		
	Other Non-Cash Restructuring Charges	Cash Restructuring Charges ⁽¹⁾	Total
Cost of revenues	\$ 1,620	\$ 1,097	\$ 2,717
Operating expenses	25	4,362	4,387
Restructuring charges	—	968	968
Other expense ⁽²⁾	3,035	(127)	2,908
Total pre-tax restructuring charges ⁽³⁾	\$ 4,680	\$ 6,300	\$ 10,980

⁽¹⁾ Cash charges consist of charges incurred during the period that will be settled in cash, either during the current period or future periods.

⁽²⁾ Non-cash charges are comprised solely of charges related to the loss on sale of the CIPP contracting operation in France, including the release of cumulative currency translation adjustments, write-off of certain other current assets and long-lived assets as well as the reversal of a legal accrual.

⁽³⁾ All charges relate to Infrastructure Solutions.

	Year Ended December 31, 2014		
	Other Non-Cash Restructuring Charges ⁽²⁾	Cash Restructuring Charges ⁽¹⁾	Total
Cost of revenues	\$ 14,610	\$ 1,076	\$ 15,686
Operating expenses	17,579	2,976	20,555
Definite-lived intangible asset impairment	10,896	—	10,896
Restructuring charges	—	687	687
Other expense ⁽³⁾	790	904	1,694
Total pre-tax restructuring charges	\$ 43,875	\$ 5,643	\$ 49,518

⁽¹⁾ Cash charges consist of charges incurred during the period that will be settled in cash, either during the current period or future periods.

⁽²⁾ Non-cash charges are comprised of Corrosion Protection charges of \$10.9 million related to definite lived intangible asset impairment and \$11.3 million related to fixed asset impairment; and Infrastructure Solutions charges of \$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, loss on the sale of the CIPP contracting operation in Switzerland, including the release of cumulative currency translation adjustments, as well as a legal accrual related to disputed work performed by our European and Asia-Pacific operations.

The following tables summarize the 2014 Restructuring activity during 2016 and 2015 (in thousands):

	Reserves at December 31, 2015	2016 Charge to Income	Foreign Currency Translation	Utilized in 2016		Reserves at December 31, 2016
				Cash ⁽¹⁾	Non-Cash	
Severance and benefit related costs	\$ —	\$ 73	\$ —	\$ 73	\$ —	\$ —
Reserves for customer receivables ⁽²⁾	6,605	(585)	(47)	—	3,739	2,234
Other restructuring costs	968	340	(9)	519	307	473
Total pre-tax restructuring charges	<u>\$ 7,573</u>	<u>\$ (172)</u>	<u>\$ (56)</u>	<u>\$ 592</u>	<u>\$ 4,046</u>	<u>\$ 2,707</u>

⁽¹⁾ Refers to cash utilized to settle charges, either those reserved at December 31, 2015 or charged to income during 2016.

⁽²⁾ During the third quarter of 2016, the Company received payment on certain accounts receivable that were previously reserved. Additionally, the Company wrote off certain balances in costs and estimated earnings in excess of billings, along with the corresponding reserves, that were deemed fully uncollectible.

	Reserves at December 31, 2014	2015 Charge to Income	Foreign Currency Translation	Utilized in 2015		Reserves at December 31, 2015
				Cash ⁽¹⁾	Non-Cash	
Severance and benefit related costs	\$ 466	\$ 801	\$ (7)	\$ 1,260	\$ —	\$ —
Lease termination expenses	—	167	(2)	165	—	—
Reserves for customer receivables	11,464	1,186	(401)	—	5,644	6,605
Other asset write-offs	—	1,880	—	—	1,880	—
Other restructuring costs	2,496	6,946	(87)	4,828	3,559	968
Total pre-tax restructuring charges	<u>\$ 14,426</u>	<u>\$ 10,980</u>	<u>\$ (497)</u>	<u>\$ 6,253</u>	<u>\$ 11,083</u>	<u>\$ 7,573</u>

⁽¹⁾ Refers to cash utilized to settle charges, either those reserved at December 31, 2014 or charged to income during 2015.

4. SUPPLEMENTAL BALANCE SHEET INFORMATION

Allowance for Doubtful Accounts

Activity in the allowance for doubtful accounts is summarized as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Balance, at beginning of year	\$ 14,524	\$ 19,307	\$ 3,441
Bad debt expense ⁽¹⁾⁽²⁾	1,083	6,369	21,911
Write-offs and adjustments ⁽¹⁾⁽²⁾	(9,509)	(11,152)	(6,045)
Balance, at end of year ⁽³⁾	<u>\$ 6,098</u>	<u>\$ 14,524</u>	<u>\$ 19,307</u>

⁽¹⁾ The Company recorded bad debt expense (reversals) of \$(0.6) million, \$1.2 million and \$11.9 million in 2016, 2015 and 2014, respectively, as part of the 2014 Restructuring (see Note 3) and was primarily due to the exiting of certain low-return businesses mainly in foreign locations.

⁽²⁾ The Company recorded bad debt expense of \$2.9 million in 2015 related to long-dated receivables within the Corrosion Protection segment.

⁽³⁾ December 31, 2015 and 2014 balances include \$7.5 million related to long-dated receivables, some of which were in litigation or dispute, within the Infrastructure Solutions segment.

Costs and Estimated Earnings on Uncompleted Contracts

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

	December 31,	
	2016	2015
Costs incurred on uncompleted contracts	\$ 741,590	\$ 818,008
Estimated earnings to date	165,862	159,321
Subtotal	907,452	977,329
Less – billings to date	(907,749)	(975,663)
Total	<u>\$ (297)</u>	<u>\$ 1,666</u>
Included in the accompanying balance sheets:		
Costs and estimated earnings in excess of billings	62,401	89,141
Billings in excess of costs and estimated earnings	(62,698)	(87,475)
Total	<u>\$ (297)</u>	<u>\$ 1,666</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 (in thousands):

	December 31,	
	2016	2015
Raw materials and supplies	\$ 31,399	\$ 23,467
Work-in-process	2,207	3,612
Finished products	14,015	6,789
Construction materials	16,332	13,911
Total	<u>\$ 63,953</u>	<u>\$ 47,779</u>

Property, Plant and Equipment

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

	Estimated Useful Lives (Years)	December 31,	
		2016	2015
Land and land improvements		\$ 10,414	\$ 10,348
Buildings and improvements	5 — 40	65,505	55,981
Machinery and equipment	4 — 10	189,849	173,898
Furniture and fixtures	3 — 10	32,386	30,048
Autos and trucks	3 — 10	50,128	50,200
Construction in progress		9,944	11,661
Subtotal		358,226	332,136
Less – Accumulated depreciation		(201,479)	(187,303)
Total		<u>\$ 156,747</u>	<u>\$ 144,833</u>

Depreciation expense was \$30.4 million, \$30.6 million and \$30.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	December 31,	
	2016	2015
Vendor and other accrued expenses	\$ 33,108	\$ 56,570
Estimated casualty and healthcare liabilities	14,610	15,255
Job costs	8,707	12,403
Accrued compensation	23,398	22,184
Income tax payable and deferred income taxes	5,187	6,539
Total	<u>\$ 85,010</u>	<u>\$ 112,951</u>

5. ASSETS HELD FOR SALE

On December 31, 2015, the Company entered into a definitive agreement to sell its 51% interest in BPPC, a pipe coatings company in Western Canada, to its joint venture partner MFRI, Inc. The transaction closed effective February 1, 2016. BPPC was classified as held-for-sale at December 31, 2015. As a result of the sale, the Company recognized a pre-tax, non-cash charge of approximately \$0.6 million at December 31, 2015 to reflect the expected loss on the sale of the business. This loss was derived primarily from the release of cumulative currency translation adjustments and was recorded to other income (expense) in the Consolidated Statement of Operations. See Note 1 for further discussion of this sale.

The following table provides the components of assets and liabilities held for sale (in thousands):

	December 31, 2015
Assets held for sale:	
Total current assets	\$ 8,559
Property, plant & equipment, less accumulated depreciation	12,501
Total assets held for sale	<u>\$ 21,060</u>
Liabilities held for sale:	
Total current liabilities	\$ 944
Debt	1,924
Deferred income tax liabilities	1,473
Other liabilities	2,620
Total liabilities held for sale	<u>\$ 6,961</u>
Non-controlling interests	<u>\$ 7,142</u>

6. 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, 2016 and December 31, 2016 (in millions):

	Infrastructure Solutions	Corrosion Protection	Energy Services	Total
Balance, January 1, 2016				
Goodwill, gross	\$ 190,525	\$ 73,345	\$ 80,246	\$ 344,116
Accumulated impairment losses	(16,069)	(45,400)	(33,527)	(94,996)
Goodwill, net	174,456	27,945	46,719	249,120
Acquisitions ⁽¹⁾	50,585	—	—	50,585
Foreign currency translation	(1,616)	530	—	(1,086)
Balance, December 31, 2016				
Goodwill, gross	239,494	73,875	80,246	393,615
Accumulated impairment losses	(16,069)	(45,400)	(33,527)	(94,996)
Goodwill, net	<u>\$ 223,425</u>	<u>\$ 28,475</u>	<u>\$ 46,719</u>	<u>\$ 298,619</u>

⁽¹⁾ During 2016, the Company recorded goodwill of \$44.0 million, \$2.4 million, \$0.8 million and \$3.4 million related to the acquisitions of Underground Solutions, Fyfe Europe, LMJ and Concrete Solutions, respectively (see Note 1).

Intangible Assets

Intangible assets were as follows (in thousands):

	December 31, 2016				December 31, 2015			
	Weighted Average Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
License agreements ⁽¹⁾	9.2	\$ 4,418	\$ (3,438)	\$ 980	\$ 3,893	\$ (3,275)	\$ 618	
Leases	10.8	2,065	(912)	1,153	2,065	(764)	1,301	
Trademarks ⁽²⁾	13.6	24,185	(7,868)	16,317	22,519	(6,262)	16,257	
Non-competes ⁽³⁾	1.7	1,308	(1,054)	254	1,210	(945)	265	
Customer relationships ⁽⁴⁾	11.4	187,554	(53,830)	133,724	164,779	(41,967)	122,812	
Patents and acquired technology ⁽⁵⁾	10.0	66,222	(23,739)	42,483	55,260	(22,395)	32,865	
		<u>\$ 285,752</u>	<u>\$ (90,841)</u>	<u>\$ 194,911</u>	<u>\$ 249,726</u>	<u>\$ (75,608)</u>	<u>\$ 174,118</u>	

⁽¹⁾ During 2016, the Company recorded license agreements of \$0.6 million related to the acquisition of LMJ's CIPP business (see Note 1).

⁽²⁾ During 2016, the Company recorded trademarks of \$1.4 million, \$0.1 million and \$0.1 million related to the acquisitions of Underground Solutions, Fyfe Europe and Concrete Solutions, respectively (see Note 1).

⁽³⁾ During 2016, the Company recorded non-compete agreements of \$0.1 million related to the acquisition of Fyfe Europe (see Note 1).

⁽⁴⁾ During 2016, the Company recorded customer relationships of \$20.7 million, \$0.3 million, \$0.2 million and \$1.6 million related to the acquisitions of Underground Solutions, Fyfe Europe, LMJ's CIPP business and Concrete Solutions, respectively (see Note 1).

⁽⁵⁾ During 2016, the Company recorded acquired technology of \$11.3 million related to the acquisition of Underground Solutions (see Note 1).

Amortization expense was \$16.4 million, \$13.2 million and \$14.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. Estimated amortization expense by year is as follows (in thousands):

Year	Amount
2017	\$ 17,212
2018	17,040
2019	16,883
2020	16,841
2021	16,684

7. LONG-TERM DEBT AND CREDIT FACILITY

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

	December 31,	
	2016	2015
Term note, due October 30, 2020, annualized rates of 3.08% and 2.47%, respectively	\$ 328,125	\$ 345,625
Line of credit, 2.96%	36,000	—
Other notes with interest rates from 3.3% to 6.5%	9,901	9,797
Subtotal	374,026	355,422
Less – Current maturities and notes payable	19,835	17,648
Less – Unamortized loan costs	3,406	4,294
Total	\$ 350,785	\$ 333,480

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

Year	Amount
2017	\$ 19,835
2018	35,899
2019	28,438
2020	289,854
2021	—
Total	\$ 374,026

Financing Arrangements

In October 2015, the Company entered into an amended and restated \$650.0 million senior secured credit facility (the “Credit Facility”) with a syndicate of banks. Bank of America, N.A. served as the sole administrative agent and JP Morgan Chase Bank, N.A. and U.S. Bank National Association acted as co-syndication agents. 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. The Company drew the entire term loan from the Credit Facility to (i) retire \$344.7 million in indebtedness outstanding under the Company’s prior credit facility; (ii) fund expenses associated with the Credit Facility; and (iii) fund general corporate purposes.

In 2015, the Company paid expenses of \$4.4 million associated with the Credit Facility, \$1.8 million related to up-front lending fees and \$2.6 million related to third-party arranging fees, the latter of which was recorded in interest expense on the consolidated statement of operations. In addition, the Company had \$3.5 million in unamortized loan costs associated with the prior credit facility, of which \$0.8 million was recorded in interest expense on the consolidated statement of operations.

Generally, interest is 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 is also based on the Company’s consolidated leverage ratio. The applicable LIBOR borrowing rate (LIBOR plus Company’s applicable rate) as of December 31, 2016 was approximately 3.07%.

The Company's indebtedness at December 31, 2016 consisted of \$328.1 million outstanding from the \$350.0 million term loan under the Credit Facility and \$36.0 million on the line of credit under the Credit Facility. During 2016, the Company (i) borrowed \$30.0 million on the line of credit to help fund the acquisition of Underground Solutions; (ii) borrowed \$3.0 million on the line of credit to help fund a small acquisition; and (iii) had net borrowings of \$3.0 million on the line of credit for both domestic and international working capital needs. Additionally, the Company designated \$9.6 million of debt held by its joint venture partners (representing funds loaned by its joint venture partners) as third-party debt in the consolidated financial statements and held \$0.3 million of third-party notes and bank debt at December 31, 2016.

Beginning in 2016, FASB ASC 835-30, *Interest-Imputation of Interest* ("FASB ASC 835-30") required a change in the balance sheet presentation of debt issuance costs to be a deduction from the carrying amount of the related debt liability instead of a deferred charge as previously reported. As such, the Company has presented unamortized loan costs of \$3.4 million and \$4.3 million at December 31, 2016 and 2015, respectively, as a reduction to long-term debt on the Company's Consolidated Balance Sheets. Comparable periods have been retrospectively adjusted in accordance with FASB ASC 835-30.

As of December 31, 2016, the Company had \$28.2 million in letters of credit issued and outstanding under the Credit Facility. Of such amount, \$15.4 million was collateral for the benefit of certain of our insurance carriers and \$12.8 million was for letters of credit or bank guarantees of performance or payment obligations of foreign subsidiaries.

The Company's indebtedness at December 31, 2015 consisted of \$345.6 million outstanding from the term loan under the Credit Facility and zero on the line of credit under the Credit Facility. Additionally, the Company designated \$9.6 million of debt held by its joint ventures (representing funds loaned by its joint venture partners) as third-party debt in the consolidated financial statements and held \$0.1 million of third-party notes and bank debt at December 31, 2015. Further, the Company had \$1.9 million in debt listed as held for sale at December 31, 2015 related to the sale of BPPC (see Note 5).

At December 31, 2016 and 2015, the estimated fair value of the Company's long-term debt was approximately \$366.0 million and \$349.1 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 12.

In October 2015, the Company entered into an interest rate swap agreement for a notional amount of \$262.5 million, which is set to expire in October 2020. The notional amount of this swap mirrors the amortization of a \$262.5 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 1.46% calculated on the amortizing \$262.5 million notional amount, and provides for the Company to receive a payment based upon a variable monthly LIBOR interest rate calculated on the same amortizing \$262.5 million notional amount. The receipt of the monthly LIBOR-based payment offsets the variable monthly LIBOR-based interest cost on a corresponding \$262.5 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 is accounted for as a cash flow hedge. See Note 12.

The Credit Facility is subject to certain financial covenants, including a 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, 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. In connection with the acquisition of Underground Solutions, the Company executed a one-time election, in accordance with the Credit Agreement, to increase the consolidated financial leverage ratio to 4.00 to 1.00 for a period of one year. After which, the ratio will decrease periodically at scheduled reporting periods to not more than 3.75 to 1.00 beginning with the quarter ending March 31, 2017. At December 31, 2016, the Company's consolidated financial leverage ratio was 3.51 to 1.00 and, using the Credit Facility defined income, the Company had the capacity to borrow up to \$53.5 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, 2016, the Company's fixed charge ratio was 1.51 to 1.00.

At December 31, 2016, the Company was in compliance with all of its debt and financial covenants as required under the Credit Facility.

8. STOCKHOLDERS' EQUITY

Share Repurchase Plan

Under the terms of its Credit Facility, the Company is authorized to purchase a limited number of shares of its common stock on an annual basis, subject to Board of Director authorization. During 2016, the Company acquired shares in connection with the following actions:

- In November 2015, 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 2015 and 2016 (the "November 2015 Program").
- In March 2016, the Company's Board of Directors authorized the open market repurchase of up to an additional \$20.0 million of the Company's common stock during 2016 (the "March 2016 Program") following the expiration or completion of the November 2015 Program. The Company began repurchasing shares under the March 2016 Program in April 2016 immediately following completion of the November 2015 Program.
- In August 2016, the Company's Board of Directors authorized the open market repurchase of up to an additional \$10.0 million of the Company's common stock during 2016 (the "August 2016 Program") following the expiration or completion of the March 2016 Program. The Company began repurchasing shares under the August 2016 Program in October 2016 immediately following completion of the March 2016 Program. Our authorization to repurchase shares under the August 2016 program expired on December 31, 2016.

In October 2016, our Board of Directors authorized the open market repurchase of up to \$40.0 million of our common stock to be made during 2017. Once repurchased, the Company promptly retires such shares.

The Company is also authorized to repurchase up to \$10.0 million of the Company's common stock in each calendar year in connection with the Company's equity compensation programs for employees. The participants in the Company's equity plans may surrender shares of common stock in satisfaction of tax obligations arising from the vesting of restricted stock and restricted stock unit awards under such plans and in connection with the exercise of stock option 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 or restricted stock unit vests or the shares of the Company's common stock are surrendered in exchange for stock option exercises. The option holder may elect a "net, net" exercise in connection with the exercise of employee stock options 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 2016, the Company acquired 2,226,875 shares of the Company's common stock for \$41.8 million (\$18.76 average price per share) through the open market repurchase programs discussed above and 61,039 shares of the Company's common stock for \$1.2 million (\$19.65 average price per share) in connection with the satisfaction of tax obligations in connection with the vesting of restricted stock and restricted stock units. In addition, during 2016, the Company acquired 61,980 shares of the Company's common stock in connection with "net, net" exercises of employee stock options for a gross value of \$1.5 million (\$1.2 million in cash value). Once repurchased, the Company immediately retired all such shares.

During 2015, the Company acquired 1,306,199 shares of the Company's common stock for \$24.3 million (\$18.58 average price per share) through open market repurchase programs and 32,902 shares of the Company's common stock for \$0.6 million (\$17.05 average price per share) in connection with the satisfaction of tax obligations in connection with the vesting of restricted stock and restricted stock units. In addition, during 2015, the Company acquired 163,500 shares of the Company's common stock in connection with "net, net" exercises of employee stock options for a gross value of \$3.0 million (\$0.9 million in cash value). Once repurchased, the Company immediately retired all such shares.

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 open market repurchase programs 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 the 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.

Equity-Based Compensation Plans

Employee Plans

In April 2016, the Company's stockholders approved the 2016 Employee Equity Incentive Plan (the "2016 Employee Plan"), which replaced the 2013 Employee Equity Incentive Plan. The 2016 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 1,132,739 shares of the Company's common stock registered for issuance under the 2016 Employee Plan. The 2016 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, 2016, there were no options and 56,581 unvested restricted stock units outstanding under the 2016 Employee Plan.

Prior to the 2016 Employee Plan, the Board of Directors administered the 2013 Employee Equity Incentive Plan (the "2013 Employee Plan") and the 2009 Employee Equity Incentive Plan (the "2009 Employee Plan"). At December 31, 2016, there were no options and 1,435,307 unvested shares of restricted stock and restricted stock units outstanding under the 2013 Employee Plan, and 170,253 options and 9,133 unvested shares of restricted stock and restricted stock units outstanding under the 2009 Employee Plan.

Director Plans

In April 2016, the Company's stockholders also approved the 2016 Director Equity Incentive Plan (the "2016 Director Plan"), which replaced the 2011 Non-Employee Director Equity Incentive Plan. The 2016 Director Plan provides for equity-based compensation awards, including non-qualified stock options and stock units. The Board of Directors administers the 2016 Director Plan and has the authority to establish, amend and rescind any rules and regulations related to the 2016 Director Plan. There are 166,456 shares of the Company's common stock registered for issuance under the 2016 Director Plan. At December 31, 2016, there were 2,104 deferred stock units outstanding under the 2016 Director Plan.

Prior to the 2016 Director Plan, the Board of Directors administered the 2011 Non-Employee Director Equity Plan ("2011 Director Plan"), the 2006 Non-Employee Director Equity Plan ("2006 Director Plan") and the 2001 Non-Employee Director Equity Plan ("2001 Director Plan"), all of which contained substantially the same provisions as the current plan. At December 31, 2016, there were 149,925 deferred stock units outstanding under the 2011 Director Plan, 46,841 deferred stock units outstanding under the 2006 Director Plan and 54,575 deferred stock units outstanding under the 2001 Director Equity Plan.

Activity and related expense associated with these plans are described in Note 9.

9. 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 is as follows:

	Years Ended December 31,					
	2016		2015		2014	
	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	1,275,707	\$ 19.60	767,540	\$ 21.93	555,025	\$ 22.79
Restricted shares awarded	—	—	—	—	242,722	23.76
Restricted stock units awarded	335,026	18.43	422,141	17.37	65,117	23.80
Performance stock units awarded	245,586	18.35	297,164	17.24	330,235	21.34
Restricted shares distributed	(162,554)	23.49	(90,607)	19.25	(118,828)	23.55
Restricted stock units distributed	(23,739)	20.73	(12,646)	19.62	(15,277)	21.25
Performance stock units distributed	—	—	—	—	—	—
Restricted shares forfeited	(22,045)	23.34	(54,045)	23.40	(104,013)	23.77
Restricted stock units forfeited	(71,992)	17.60	(27,360)	18.79	(6,925)	22.93
Performance stock units forfeited	(74,968)	18.68	(26,480)	19.50	(180,516)	24.54
Outstanding, end of year	1,501,021	\$ 18.78	1,275,707	\$ 19.60	767,540	\$ 21.93

Expense associated with stock awards was \$8.3 million, \$6.8 million and \$3.0 million in 2016, 2015 and 2014, respectively. Unrecognized pre-tax expense of \$10.8 million related to stock awards is expected to be recognized over the weighted average remaining service period of 1.8 years for awards outstanding at December 31, 2016.

At December 31, 2016, 1,147,770 shares of common stock were available for equity-based compensation awards pursuant to the 2016 Employee Plan.

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:

	Years Ended December 31,					
	2016		2015		2014	
	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	247,219	\$ 19.92	221,471	\$ 20.10	214,455	\$ 19.56
Awarded	45,886	21.22	53,527	18.56	38,810	22.89
Shares distributed	(39,660)	21.29	(27,779)	18.76	(31,794)	19.70
Outstanding, end of year	253,445	\$ 19.93	247,219	\$ 19.92	221,471	\$ 20.10

Expense associated with awards of deferred stock units was \$1.0 million, \$1.0 million and \$0.9 million in 2016, 2015 and 2014, respectively.

At December 31, 2016, 164,352 shares of common stock were available for equity-based compensation awards pursuant to the 2016 Director Plan.

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 is as follows:

	Years Ended December 31,					
	2016		2015		2014	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	288,383	\$ 21.73	503,134	\$ 18.18	1,208,824	\$ 18.54
Granted	—	—	—	—	38,820	24.21
Exercised	(114,307)	21.33	(209,205)	13.13	(526,359)	16.36
Canceled/Expired	(3,823)	22.24	(5,546)	24.21	(218,151)	25.61
Outstanding at December 31	170,253	\$ 21.99	288,383	\$ 21.73	503,134	\$ 18.18
Exercisable at December 31	170,253	\$ 21.99	284,929	\$ 21.78	452,236	\$ 18.12

In 2016, 2015 and 2014, the Company recorded expense of less than \$0.1 million, \$0.1 million and \$0.6 million, respectively, related to stock option grants. Unrecognized pre-tax expense related to stock option grants was zero at December 31, 2016.

Financial data for stock option exercises are summarized in the following table (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Amount collected from stock option exercises	\$ 2,438	\$ 2,748	\$ 8,614
Total intrinsic value of stock option exercises	216	1,108	3,771
Tax benefit of stock option exercises recorded in additional paid-in-capital	615	209	6
Aggregate intrinsic value of outstanding stock options	517	173	1,231
Aggregate intrinsic value of exercisable stock options	517	169	1,209

The intrinsic value calculations are based on the Company's closing stock price of \$23.70, \$19.31 and \$18.61 on December 31, 2016, 2015 and 2014, respectively.

The Company uses a binomial option-pricing model for valuation purposes to reflect the features of stock options granted. 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. There were no stock options granted during 2016 and 2015. The fair value of stock options awarded during 2014 was estimated at the date of grant based on the assumptions presented in the table below:

	Year Ended December 31, 2014	
	Range	Weighted Average
Grant-date fair value	\$11.27	\$11.27
Volatility	41.6%	41.6%
Expected term (years)	7.0	7.0
Dividend yield	—%	—%
Risk-free rate	2.3%	2.3%

10. TAXES ON INCOME (TAX BENEFITS)

Income (loss) from continuing operations before taxes on income (tax benefits) was as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Domestic	\$ 23,205	\$ (15,944)	\$ (75,112)
Foreign	12,064	17,159	39,137
Total	\$ 35,269	\$ 1,215	\$ (35,975)

Provisions (benefits) for taxes on income (loss) from continuing operations consisted of the following components (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Current:			
Federal	\$ (636)	\$ 2,150	\$ (2,112)
Foreign	3,585	5,600	10,586
State	175	528	2,635
Subtotal	3,124	8,278	11,109
Deferred:			
Federal	2,158	218	(18,629)
Foreign	475	1,382	3,034
State	352	(673)	646
Subtotal	2,985	927	(14,949)
Total tax provision (benefit)	\$ 6,109	\$ 9,205	\$ (3,840)

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):

	Years Ended December 31,		
	2016	2015	2014
Income taxes (benefit) at U.S. federal statutory tax rate	\$ 12,344	\$ 425	\$ (12,591)
Increase (decrease) in taxes resulting from:			
Change in the balance of the valuation allowance for deferred tax assets allocated to foreign income tax expense	1,364	(756)	7,785
Change in the balance of the valuation allowance for deferred tax assets allocated to domestic income tax expense	(4,202)	4,834	5,206
State income taxes, net of federal income tax benefit	342	(94)	(3,073)
Divestitures	271	2,269	—
Meals and entertainment	736	761	863
Changes in taxes previously accrued	23	(489)	(1,932)
Foreign tax rate differences	(2,559)	(1,468)	(9,215)
Goodwill impairment	—	3,485	9,690
Recognition of uncertain tax positions	85	24	(96)
Settlement of escrow arrangement	—	(1,115)	—
Domestic Production Activities deduction	(1,017)	(528)	(81)
Incremental U.S. taxes on undistributed foreign earnings	—	2,102	—
Other matters	(1,278)	(245)	(396)
Total tax provision (benefit)	\$ 6,109	\$ 9,205	\$ (3,840)
Effective tax rate	17.3%	757.6%	10.7%

Net deferred taxes consisted of the following (in thousands):

	December 31,	
	2016	2015
Deferred income tax assets:		
Foreign tax credit carryforwards	\$ 3,426	\$ 358
Net operating loss carryforwards	26,212	14,688
Accrued expenses	17,366	24,449
Other	8,701	8,285
Total gross deferred income tax assets	55,705	47,780
Less valuation allowance	(15,428)	(18,897)
Net deferred income tax assets	40,277	28,883
Deferred income tax liabilities:		
Property, plant and equipment	(12,627)	(11,438)
Intangible assets	(28,346)	(14,525)
Undistributed foreign earnings	(7,051)	(9,153)
Other	(9,237)	(8,248)
Total deferred income tax liabilities	(57,261)	(43,364)
Net deferred income tax liabilities	\$ (16,984)	\$ (14,481)

The Company's tax assets and liabilities, netted by taxing location, are in the following captions in the balance sheets (in thousands):

	December 31,	
	2016	2015
Current deferred income tax assets, net	\$ 7,824	\$ 7,804
Current deferred income tax liabilities, net ⁽¹⁾	(3,317)	(5,029)
Noncurrent deferred income tax assets, net	1,848	2,130
Noncurrent deferred income tax liabilities, net	(23,339)	(19,386)
Net deferred income tax liabilities	\$ (16,984)	\$ (14,481)

⁽¹⁾ The December 31, 2015 balance includes \$1.5 million of deferred income tax liabilities related to BPPC, which are classified as held for sale. See Note 5.

The Company's deferred tax assets at December 31, 2016 included \$26.2 million in federal, state and foreign net operating loss ("NOL") carryforwards. These NOLs include \$20.8 million, which if not used will expire between the years 2017 and 2036, and \$5.4 million that have no expiration dates. The Company also has deferred tax amounts related to foreign tax credit carryforwards of \$3.4 million, of which, \$3.2 million will expire in 2026 if not used and \$0.2 million have no expiration date.

For financial reporting purposes, a valuation allowance of \$15.4 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, 2015 was \$18.9 million. The decrease during 2016 was primarily related to a \$4.2 million reduction of previously recorded valuation allowances in the U.S., due to changes in the realization of future tax benefits and deferred tax composition changes, partially offset by a \$1.4 million increase in the valuation allowance on certain net operating losses and deferred tax assets in foreign jurisdictions, primarily Europe.

Activity in the valuation allowance is summarized as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Balance, at beginning of year	\$ 18,897	\$ 19,353	\$ 7,797
Additions	3,095	7,783	14,442
Reversals	(4,984)	(5,294)	(2,090)
Other adjustments	(1,580)	(2,945)	(796)
Balance, at end of year	<u>\$ 15,428</u>	<u>\$ 18,897</u>	<u>\$ 19,353</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 \$208.4 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. As part of the February 2016 acquisition of Underground Solutions, the Company repatriated approximately \$29.7 million from foreign subsidiaries to assist in funding the transaction, incurring approximately \$3.2 million in additional taxes, an estimate for which was accrued as of December 31, 2015. This was viewed as a one-time, special-use transaction. With few exceptions, U.S. income taxes, net of applicable foreign tax credits, have not been provided on undistributed earnings of international subsidiaries. It is the Company's intention to permanently reinvest these earnings.

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):

	Years Ended December 31,		
	2016	2015	2014
Balance at January 1,	\$ 2,410	\$ 2,672	\$ 2,936
Additions for tax positions of prior years related to acquisitions	148	—	—
Additions for tax positions of prior years	10	10	36
Lapse in statute of limitations	(83)	(218)	(252)
Foreign currency translation	(20)	(54)	(48)
Balance at December 31, total tax provision	<u>\$ 2,465</u>	<u>\$ 2,410</u>	<u>\$ 2,672</u>

The total amount of unrecognized tax benefits, if recognized, that would affect the effective tax rate was \$0.5 million at December 31, 2016.

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2016, 2015 and 2014, approximately \$0.3 million was expensed for interest and penalties in each period.

The Company believes that it is reasonably possible that the total amount of unrecognized tax benefits will change in 2017. 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 \$0.3 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 2012.

11. 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 2025. 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, 2016, 2015 and 2014 was \$23.8 million, \$24.9 million and \$24.1 million, respectively.

At December 31, 2016, the future minimum lease payments required under the non-cancellable operating leases were as follows (in thousands):

Year	Minimum Lease Payments
2017	\$ 18,976
2018	14,610
2019	10,723
2020	7,035
2021	4,818
Thereafter	4,923
Total	<u>\$ 61,085</u>

Litigation

In December 2016, the Company settled two lawsuits related to the December 2012 departure of several key leaders in sales and operations for the Tyfo[®] Fibrwrap[®] technology, which is part of the Infrastructure Solutions platform. Under the settlement, Aegion will receive \$6.6 million over the next four years; and accordingly, recorded the gain to “Gain on litigation settlement” in the Consolidated Statement of Operations. The initial \$3.6 million cash payment was received in December 2016 and the remainder is to be paid in \$750,000 installments over the next four years. At December 31, 2016, \$750,000 was recorded to “Prepaid expenses and other current assets” and \$2.25 million was recorded to “Other assets” in the Consolidated Balance Sheet.

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 February 2016, the Company entered into a conditional agreement to settle an outstanding dispute with a project client in the Infrastructure Solutions platform. As a result of the conditional settlement, the Company recorded a \$2.7 million accrual as of December 31, 2015 in accordance with FASB ASC Subtopic No. 450-20, *Contingencies - Loss Contingencies* (“FASB ASC 450-20”). In March 2016, the Company entered into the final agreement and wrote off a \$7.5 million customer receivable, along with the related allowance for doubtful account, as of March 31, 2016. The settlement amount was paid in April 2016.

In connection with the Brinderson acquisition, certain pre-acquisition matters were identified in 2014 whereby a loss is both probable and reasonably estimable. The Company establishes liabilities in accordance with FASB ASC 450-20, and accordingly, recorded an accrual related to various legal, tax, employee benefit and employment matters. At December 31, 2015, the accrual related to these matters was \$10.5 million. During the second quarter of 2016, the Company made payments totaling \$0.4 million related to one of the above matters. Also during the second quarter of 2016, and based upon developments during the quarter and following consultation with internal and third-party legal counsel, the Company reassessed its reserve related to certain remaining matters and lowered its accrual for such matters by \$1.8 million. During the third quarter of 2016, certain payroll tax audits were completed and statutory limitation periods lapsed. Following consultation with internal and third-party legal and tax counsel, the Company reassessed its reserve related to certain remaining matters and lowered its accrual for such matters by \$2.3 million during the third quarter of 2016. The accrual adjustments resulted in an offset to “Operating expense” in the Consolidated Statement of Operations. As of December 31, 2016, the remaining accrual relating to these matters was \$6.0 million and represented the Company’s reasonable estimate of probable loss related to the Brinderson pre-acquisition matters. The Company believes it has asserted meritorious defenses to these remaining matters.

Purchase Commitments

The Company had no material purchase commitments at December 31, 2016.

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, 2016 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 \$5.5 million, \$5.5 million and \$5.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Certain foreign subsidiaries maintain various other defined contribution retirement plans. Company contributions to such plans for the years ended December 31, 2016, 2015 and 2014 were \$0.8 million, \$0.8 million and \$1.2 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 \$0.1 million, \$0.1 million and \$0.2 million in 2016, 2015 and 2014, respectively. Both the pension expense and funding requirements for the years ended December 31, 2016, 2015 and 2014 were immaterial to the Company's consolidated financial position and results of operations. The benefit obligation and plan assets at December 31, 2016 were approximately \$7.4 million and \$8.8 million, respectively. The Company used a discount rate of 2.8% for the evaluation of the pension liability. The Company recorded an asset associated with the overfunded status of this plan of approximately \$1.4 million, which is included in other long-term assets on the consolidated balance sheet. The benefit obligation and plan assets at December 31, 2015 approximated \$7.9 million and \$9.4 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.

12. 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, 2016, 2015 and 2014, 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, 2016, 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 October 2015, the Company entered into an interest rate swap agreement for a notional amount of \$262.5 million, which is set to expire in October 2020. The notional amount of this swap mirrors the amortization of a \$262.5 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 1.46% calculated on the amortizing \$262.5 million notional amount, and provides for the Company to receive a payment based upon a variable monthly LIBOR interest rate calculated on the same amortizing \$262.5 million notional amount. The receipt of the monthly LIBOR-based payment offsets the variable monthly LIBOR-based interest cost on a corresponding \$262.5 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 is 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,	
		2016	2015
Derivatives Designated as Hedging Instruments:			
Forward Currency Contracts	Prepaid expenses and other current assets	\$ —	\$ 18
Interest Rate Swaps	Other non-current assets	1,061	—
	Total Assets	\$ 1,061	\$ 18
Derivatives Not Designated as Hedging Instruments:			
Forward Currency Contracts	Prepaid expenses and other current assets	\$ 26	\$ 91
	Total Assets	\$ 26	\$ 91
	Total Derivative Assets	\$ 1,087	\$ 109
	Total Derivative Liabilities	57	256
	Total Net Derivative Asset (Liability)	\$ 1,030	\$ (147)

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, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Forward Currency Contracts	\$ 26	\$ —	\$ 26	\$ —
Interest Rate Swap	1,061	—	1,061	—
Total	\$ 1,087	\$ —	\$ 1,087	\$ —
Liabilities:				
Forward Currency Contracts	\$ 57	\$ —	\$ 57	\$ —
Total	\$ 57	\$ —	\$ 57	\$ —

	Total Fair Value at December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Forward Currency Contracts	109	—	109	—
Total	\$ 109	\$ —	\$ 109	\$ —
Liabilities:				
Forward Currency Contracts	\$ 243	\$ —	\$ 243	\$ —
Interest Rate Swap	13	—	13	—
Total	\$ 256	\$ —	\$ 256	\$ —

The following table summarizes the Company's derivative positions at December 31, 2016:

	Position	Notional Amount	Weighted Average Remaining Maturity In Years	Average Exchange Rate
USD/EURO	Sell	\$ 3,400,000	0.3	1.06
USD/British Pound	Sell	£ 4,595,000	0.3	1.24
EURO/British Pound	Sell	£ 5,700,000	0.3	0.86
Interest Rate Swap		\$ 246,094,750	3.8	

The Company had no transfers between Level 1, 2 or 3 inputs during 2016. 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.

13. DISCONTINUED OPERATIONS

During 2013, the Company's Board of Directors approved a plan of liquidation for its BWB business in an effort to improve the Company's overall financial performance and align the operations with its long-term strategic initiatives. BWB provided specialty welding and fabrication services from its facility in New Iberia, Louisiana.

BWB ceased bidding new work and substantially completed all ongoing projects during the second quarter of 2013. During the fourth quarter of 2014, the Company completed final liquidation of BWB. 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 \$6.0 million within discontinued operations.

There were no discontinued operations during 2016 and 2015. Operating results for discontinued operations in 2014 are summarized as follows (in thousands):

	Year Ended December 31, 2014
Revenues	\$ —
Gross loss	(67)
Operating expenses	(5,941)
Operating loss	(6,008)
Other income (expense)	(74)
Loss before tax benefits	(6,082)
Tax benefits	2,235
Net loss	(3,847)

14. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in three distinct markets: energy and mining; water and wastewater; and commercial and structural services. During 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 Company's current SEC filings reflect the above named reportable segments, unless and until such time as there is a subsequent change in the Company's reportable segments.

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):

	Years Ended December 31,		
	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽³⁾
Revenues:			
Infrastructure Solutions	\$ 571,551	\$ 556,234	\$ 567,205
Corrosion Protection	401,469	437,921	458,409
Energy Services	248,900	339,415	305,807
Total revenues	\$ 1,221,920	\$ 1,333,570	\$ 1,331,421
Operating income (loss):			
Infrastructure Solutions ⁽⁴⁾	\$ 53,503	\$ 46,867	\$ (6,194)
Corrosion Protection ⁽⁵⁾	1,809	(1,771)	(31,010)
Energy Services ⁽⁶⁾	(4,486)	(25,150)	17,392
Total operating income (loss)	\$ 50,826	\$ 19,946	\$ (19,812)
Other income (expense):			
Interest expense	\$ (15,029)	\$ (16,044)	\$ (12,943)
Interest income	166	218	633
Other	(694)	(2,905)	(3,853)
Total other expense	\$ (15,557)	\$ (18,731)	\$ (16,163)
Income (loss) before taxes on income	\$ 35,269	\$ 1,215	\$ (35,975)
Total assets:			
Infrastructure Solutions	\$ 584,425	\$ 508,817	\$ 485,785
Corrosion Protection	424,007	489,519	506,659
Energy Services	147,171	183,763	197,858
Corporate	37,979	50,854	100,831
Assets held for sale	—	21,060	—
Total assets	\$ 1,193,582	\$ 1,254,013	\$ 1,291,133
Capital expenditures:			
Infrastructure Solutions	\$ 19,834	\$ 7,657	\$ 13,096
Corrosion Protection	14,393	17,226	12,107
Energy Services	2,514	2,202	3,720
Corporate	2,019	2,369	3,976
Total capital expenditures	\$ 38,760	\$ 29,454	\$ 32,899
Depreciation and amortization:			
Infrastructure Solutions	\$ 17,547	\$ 14,836	\$ 15,726
Corrosion Protection	18,792	18,834	19,259
Energy Services	7,067	7,641	7,004
Corporate	3,313	2,480	2,323
Total depreciation and amortization	\$ 46,719	\$ 43,791	\$ 44,312

(1) Results include: (i) \$15.9 million of restructuring charges (see Note 3); (ii) \$2.7 million of costs incurred related to the acquisitions of Underground Solutions, Fyfe Europe, LMJ, Concrete Solutions and other acquisition targets; (iii) inventory step up expense of \$3.6 million recognized as part of the accounting for business combinations; and (iv) a gain of \$6.6 million in connection with the settlement of two longstanding lawsuits (see Note 11).

(2) Results include: (i) \$43.5 million of goodwill impairment charges (see Note 2); (ii) \$8.1 million of 2014 Restructuring charges (see Note 3); and (iii) \$1.9 million of costs incurred related to the acquisitions of Underground Solutions, Schultz and other acquisition targets.

- (3) Results include: (i) \$51.5 million of goodwill impairment charges (see Note 2); (ii) \$12.1 million of definite-lived intangible asset impairment charges (see Note 2); (iii) \$47.8 million of 2014 Restructuring charges (see Note 3); and (iv) \$1.4 million of costs incurred related to the acquisition of Brinderson and other acquisition targets.
- (4) Operating income for 2016 includes: (i) \$3.1 million of 2016 Restructuring charges (see Note 3); (ii) \$0.2 million of 2014 Restructuring expense reversals (see Note 3); (iii) \$2.7 million of costs incurred related to the acquisitions of Underground Solutions, Fyfe Europe, LMJ, Concrete Solutions and other acquisition targets; (iv) inventory step up expense of \$3.6 million recognized as part of the accounting for business combinations; and (v) a gain of \$6.6 million in connection with the settlement of two longstanding lawsuits (see Note 11). Operating income for 2015 includes \$8.1 million of 2014 Restructuring charges (see Note 3) and \$1.1 million of costs incurred related to the acquisition of Underground Solutions and other acquisition targets. Operating income for 2014 includes: (i) \$25.6 million of 2014 Restructuring charges (see Note 3), (ii) \$16.1 million of goodwill impairment charges (see Note 2); and (iii) \$1.2 million of definite-lived intangible asset impairment charges (see Note 2).
- (5) Operating income for 2016 includes \$4.6 million of 2016 Restructuring charges (see Note 3). Operating income for 2015 includes \$10.0 million of goodwill impairment charges (see Note 2) and \$0.5 million of acquisition related expenses. Operating income for 2014 includes: (i) \$35.4 million of goodwill impairment charges (see Note 2); (ii) \$10.9 million of definite-lived intangible asset impairment charges (see Note 2); (iii) \$11.3 million of 2014 Restructuring charges (see Note 3); and (iv) \$0.7 million of costs incurred in conjunction with potential acquisition activity.
- (6) Operating income for 2016 includes \$8.2 million of 2016 Restructuring charges (see Note 3). Operating income for 2015 includes \$33.5 million of goodwill impairment charges (see Note 2) and \$0.3 million of costs incurred related to the acquisition of Schultz. Operating income for 2014 includes (i) \$0.7 million of costs incurred related to the acquisition of Brinderson and (ii) \$4.5 million related to proceeds received in connection with the settlement of escrow claims related to the purchase of Brinderson..

The following table summarizes revenues, operating income (loss) and long-lived assets by geographic region (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Revenues: ⁽¹⁾			
United States	\$ 924,580	\$ 965,957	\$ 926,834
Canada	129,291	174,827	202,806
Europe	60,238	56,474	85,614
Other foreign	107,811	136,312	116,167
Total revenues	\$ 1,221,920	\$ 1,333,570	\$ 1,331,421
Operating income (loss):			
United States	\$ 28,048	\$ (18,959)	\$ (45,945)
Canada	16,156	27,126	36,883
Europe	981	3,217	1,862
Other foreign	5,641	8,562	(12,612)
Total operating income (loss)	\$ 50,826	\$ 19,946	\$ (19,812)
Long-lived assets: ⁽¹⁾⁽²⁾			
United States	\$ 140,099	\$ 124,120	\$ 135,898
Canada	9,464	9,872	25,610
Europe	7,575	7,268	8,984
Other foreign	8,829	9,189	8,429
Total long-lived assets	\$ 165,967	\$ 150,449	\$ 178,921

(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, 2016, 2015 and 2014 do not include intangible assets, goodwill or deferred tax assets.

15. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited quarterly financial data was as follows (in thousands, except per share data):

	First Quarter ⁽¹⁾	Second Quarter ⁽²⁾	Third Quarter ⁽³⁾	Fourth Quarter ⁽⁴⁾
Year ended December 31, 2016:				
Revenues	\$ 293,908	\$ 297,686	\$ 308,524	\$ 321,802
Gross profit	54,414	61,190	66,318	71,242
Operating income (loss)	(4,139)	8,145	20,505	26,315
Net income (loss)	(3,949)	3,193	11,787	18,129
Basic earnings per share:				
Net income (loss)	\$ (0.11)	\$ 0.10	\$ 0.35	\$ 0.52
Diluted earnings per share				
Net income (loss)	\$ (0.11)	\$ 0.10	\$ 0.34	\$ 0.52

⁽¹⁾ Includes expenses of \$9.7 million and \$(0.2) million related to our 2016 Restructuring and 2014 Restructuring, respectively (see Note 3).

⁽²⁾ Includes expenses of \$3.8 million and \$0.1 million related to our 2016 Restructuring and 2014 Restructuring, respectively (see Note 3).

⁽³⁾ Includes expenses of \$1.3 million and \$(0.4) million related to our 2016 Restructuring and 2014 Restructuring, respectively (see Note 3).

⁽⁴⁾ Includes expenses of \$1.3 million and \$0.3 million related to our 2016 Restructuring and 2014 Restructuring, respectively (see Note 3), and a gain on litigation settlement of \$6.6 million (see Note 11).

	First Quarter ⁽¹⁾	Second Quarter ⁽²⁾	Third Quarter ⁽³⁾	Fourth Quarter ⁽⁴⁾
Year ended December 31, 2015:				
Revenues	\$ 309,166	\$ 337,096	\$ 356,595	\$ 330,713
Gross profit	59,190	72,053	77,121	67,423
Operating income (loss)	9,125	14,523	24,938	(28,640)
Net income (loss)	1,372	8,848	15,223	(33,433)
Basic earnings per share:				
Net income (loss)	\$ 0.04	\$ 0.24	\$ 0.41	\$ (0.91)
Diluted earnings per share				
Net income (loss)	\$ 0.04	\$ 0.24	\$ 0.40	\$ (0.91)

⁽¹⁾ Includes expenses of \$3.5 million related to our 2014 Restructuring (see Note 3).

⁽²⁾ Includes expenses of \$5.7 million related to our 2014 Restructuring (see Note 3).

⁽³⁾ Includes expenses of \$1.5 million related to our 2014 Restructuring (see Note 3).

⁽⁴⁾ Includes expenses of \$0.3 million related to our 2014 Restructuring and \$43.5 million related to certain goodwill impairments (see Notes 2, 3 and 6).

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, 2016. 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 provide reasonable assurance 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.

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. The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which 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.

The scope of management's evaluation did not include the recent acquisition of Underground Solutions, Inc. Underground Solutions, Inc. is a wholly-owned subsidiary whose total assets and total revenues represented 1.4% and 2.4%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2016.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2016 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 2017 Annual Meeting of Stockholders (“2017 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 2017 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 5 of this Report under the caption “Equity Compensation Plan Information” and under the caption “Information Concerning Certain Stockholders” in the 2017 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 2017 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 2017 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 1, 2017

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 1, 2017
<u>/s/ David A. Martin</u> David A. Martin	Principal Financial Officer and Principal Accounting Officer	March 1, 2017
<u>/s/ Stephen P. Cortinovis</u> Stephen P. Cortinovis	Director	March 1, 2017
<u>/s/ Stephanie A. Cuskley</u> Stephanie A. Cuskley	Director	March 1, 2017
<u>/s/ Walter J. Galvin</u> Walter J. Galvin	Director	March 1, 2017
<u>/s/ Rhonda Germany Ballintyn</u> Rhonda Germany Ballintyn	Director	March 1, 2017
<u>/s/ Juanita H. Hinshaw</u> Juanita H. Hinshaw	Director	March 1, 2017
<u>/s/ M. Richard Smith</u> M. Richard Smith	Director	March 1, 2017
<u>/s/ Alfred L. Woods</u> Alfred L. Woods	Director	March 1, 2017
<u>/s/ Phillip D. Wright</u> Phillip D. Wright	Director	March 1, 2017

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 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 Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.1 to the current report on Form 8-K filed August 4, 2015).
- 10.1 2009 Employee Equity Incentive Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed March 25, 2009, as revised on April 7, 2009, in connection with the 2009 annual meeting of stockholders). ⁽²⁾
- 10.2 2013 Employee Equity Incentive Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed April 3, 2013 in connection with the 2013 annual meeting of stockholders). ⁽²⁾
- 10.3 2016 Employee Equity Incentive Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed March 11, 2016 in connection with the 2016 annual meeting of stockholders). ⁽²⁾
- 10.4 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 April 16, 2003 in connection with the 2003 annual meeting of stockholders). ⁽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 March 10, 2006 in connection with the 2006 annual meeting of stockholders). ⁽²⁾
- 10.6 2011 Non-Employee Director Equity Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed March 18, 2011 in connection with the 2011 annual meeting of stockholders). ⁽²⁾
- 10.7 2016 Non-Employee Director Equity Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed March 11, 2016 in connection with the 2016 annual meeting of stockholders). ⁽²⁾
- 10.8 Employee Stock Purchase Plan of the Company (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed March 15, 2007 in connection with the 2007 annual meeting of stockholders). ⁽²⁾
- 10.9 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⁾
- 10.10 2016 Executive Performance Plan of the Company (incorporated by reference to Appendix B to the definitive proxy statement on Schedule 14A filed March 11, 2016 in connection with the 2016 annual meeting of stockholders). ⁽²⁾

10.11	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).
10.12	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 October 10, 2014). ⁽²⁾
10.13	Form of First Amendment to Executive Change in Control Severance Agreement, dated May 2, 2016, by and between Aegion Corporation and each of Charles R. Gordon, David A. Martin and David F. Morris (incorporated by reference to Exhibit 10.2 to the quarterly report on Form 10-Q for the quarter ended March 31, 2016). ⁽²⁾
10.14	Severance Policy effective March 1, 2017, filed herewith. ⁽²⁾
10.15	Form of Change in Control Severance Agreement, dated as of March 1, 2017, between Aegion Corporation and each of John D. Huhn, Stephen P. Callahan and Michael D. White, filed herewith. ⁽²⁾
10.16	Management Annual Incentive Plan effective January 1, 2017, filed herewith. ⁽²⁾
10.17	Form of Director Deferred Stock Unit Agreement (for Non-Employee Directors) (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q filed May 1, 2015). ⁽²⁾
10.18	Form of Performance Unit Agreement, dated February 22, 2017, between Aegion Corporation and certain executive officers of Aegion Corporation, filed herewith. ⁽²⁾
10.19	Form of Restricted Stock Unit Agreement, dated February 22, 2017, between Aegion Corporation and certain executive officers of Aegion Corporation, filed herewith. ⁽²⁾
10.20	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 October 10, 2014). ⁽²⁾
10.21	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 October 10, 2014). ⁽²⁾
10.22	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 October 10, 2014). ⁽²⁾
10.23	Amended and Restated Credit Agreement, dated October 30, 2015 (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed November 2, 2015).
10.24	Agreement and Plan of Merger, dated January 4, 2016, among Aegion Corporation, PUAC, Inc., Underground Solutions, Inc., Fortis Advisors LLC and UGSI Solutions, Inc. (incorporated by reference to the current report on Form 8-K filed January 8, 2016).
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. 001-35328.
- (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

2016		
	Amount	EPS
Income from continuing operations (GAAP, as reported)	\$ 29,488	\$ 0.84
<i>Adjustments:</i>		
Restructuring-related charges	10,227	0.29
Acquisition-related expenses	4,366	0.12
Litigation settlement	(3,982)	(0.11)
Reversal of contingency reserve	(1,458)	(0.04)
Income from continuing operations (Non-GAAP)	<u>\$ 38,641</u>	<u>\$ 1.10</u>

2015		
	Amount	EPS
Loss from continuing operations (GAAP, as reported)	\$ (8,067)	\$ (0.22)
<i>Adjustments:</i>		
Restructuring-related charges	8,712	0.24
Goodwill impairments	35,711	0.97
Credit facility financing fees	2,023	0.05
Acquisition-related expenses	4,657	0.13
Joint venture and divestiture activity	1,427	0.04
Litigation settlement	1,660	0.04
Reserves for disputed and long-dated accounts receivable	1,110	0.03
Income from continuing operations (Non-GAAP)	<u>\$ 47,233</u>	<u>\$ 1.28</u>

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>

AEGION CORPORATION
Operating Income Reconciliation to Non-GAAP

IN THOUSANDS

2016		
	Amount	Margin
Operating income (GAAP, as reported)	\$ 50,826	4.2%
<i>Adjustments:</i>		
Restructuring-related charges	15,680	
Acquisition-related expenses	6,268	
Litigation settlement	(6,625)	
Reversal of contingency reserve	<u>(2,336)</u>	
Operating income (Non-GAAP)	<u>\$ 63,813</u>	5.2%

2015		
	Amount	Margin
Operating income (GAAP, as reported)	\$ 19,946	1.5%
<i>Adjustments:</i>		
Restructuring-related charges	8,072	
Goodwill impairments	43,484	
Acquisition-related expenses	1,912	
Litigation settlement	2,771	
Reserves for disputed and long-dated accounts receivable	<u>2,883</u>	
Operating income (Non-GAAP)	<u>\$ 79,068</u>	5.9%

2014		
	Amount	Margin
Operating loss (GAAP, as reported)	\$ (19,812)	(1.5%)
<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>	6.4%

2013		
	Amount	Margin
Operating income (GAAP, as reported)	\$ 66,882	6.1%
<i>Adjustments:</i>		
Acquisition-related expenses	<u>5,831</u>	
Operating income (Non-GAAP)	<u>\$ 72,713</u>	6.7%

2012		
	Amount	Margin
Operating income (GAAP, as reported)	\$ 81,803	7.7%
<i>Adjustments:</i>		
Acquisition-related expenses	<u>3,124</u>	
Operating income (Non-GAAP)	<u>\$ 84,927</u>	8.0%

AEGION CORPORATION

2016 Segment Operating Income Reconciliation to Non-GAAP

IN THOUSANDS

Infrastructure Solutions				
	2015		2016	
	Amount	Margin	Amount	Margin
Operating income (GAAP, as reported)	\$ 46,867	8.4%	\$ 53,503	9.4%
<i>Adjustments:</i>				
Restructuring-related charges	8,072		2,945	
Acquisition-related expenses	1,132		6,268	
Litigation settlements	<u>2,771</u>		<u>(6,625)</u>	
Operating income (Non-GAAP)	<u>\$ 58,842</u>	10.6%	<u>\$ 56,091</u>	9.8%

Corrosion Protection				
	2015		2016	
	Amount	Margin	Amount	Margin
Operating income (loss) (GAAP, as reported)	\$ (1,771)	(0.4%)	\$ 1,809	0.5%
<i>Adjustments:</i>				
Restructuring-related charges	-		4,564	
Acquisition-related expenses	457		-	
Goodwill impairment	9,957		-	
Reserves for long-dated accounts receivable	<u>2,883</u>		<u>-</u>	
Operating income (Non-GAAP)	<u>\$ 11,526</u>	2.6%	<u>\$ 6,373</u>	1.6%

Energy Services				
	2015		2016	
	Amount	Margin	Amount	Margin
Operating loss (GAAP, as reported)	\$ (25,150)	(7.4%)	\$ (4,486)	(1.8%)
<i>Adjustments:</i>				
Restructuring-related charges	-		8,171	
Acquisition-related expenses	323		-	
Goodwill impairment	33,527		-	
Reversal of contingency reserve	<u>-</u>		<u>(2,336)</u>	
Operating income (Non-GAAP)	<u>\$ 8,700</u>	2.6%	<u>\$ 1,349</u>	0.5%

AEGION CORPORATION

Return on Invested Capital (ROIC) Definition

$$\text{ROIC} = \frac{\text{Adjusted Operating Income after Taxes}^1 + \text{Equity Earnings} + \text{Non-controlling Interests (Income) Loss}}{[(\text{Total Assets} - \text{Non-Interest Bearing Liabilities}) - (\text{Cash and Cash Equivalents})]}$$

¹ Adjusted (non-GAAP) operating income is reconciled on page A-2. For consistency purposes, the Company applies an effective tax rate of 28.5% for all periods presented.

CORPORATE INFORMATION

AEGION CORPORATION EXECUTIVE OFFICERS

Charles R. Gordon

President & Chief Executive Officer

David A. Martin

Executive Vice President & Chief Financial Officer

David F. Morris

Executive Vice President, General Counsel & Chief Administrative Officer

John D. Huhn

Senior Vice President & Chief Strategy Officer

Stephen P. Callahan

Senior Vice President, Global Human Resources

Michael D. White

Senior Vice President & Corporate Controller

AEGION CORPORATION PLATFORM PRESIDENTS

Frank R. Firsching

Infrastructure Solutions

Greta N. Voss

Corrosion Protection

Gary J. Wilson

Energy Services

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, 2016 and 2015, as reported on The Nasdaq Global Select Market. Quotations represent prices between dealers and do not include retail markups, markdowns or commissions.

PERIOD	HIGH	LOW
2016:		
First Quarter	\$ 21.50	\$ 16.00
Second Quarter	21.95	17.35
Third Quarter	21.00	17.18
Fourth Quarter	26.14	17.85
2015:		
First Quarter	\$ 19.47	\$ 15.31
Second Quarter	19.67	17.11
Third Quarter	19.92	15.97
Fourth Quarter	22.41	16.16

FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2016, 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 of All Standing Board Committees
*Former President & CEO
Woods Group, LLC*



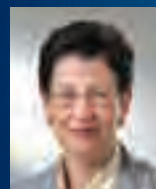
Charles R. Gordon

Strategic Planning & Finance Committee (Member)
*President & CEO
Aegion Corporation*



Stephen P. Cortinovis

Strategic Planning & Finance Committee (Chair)
Compensation Committee (Member)
*Former President, Europe
Emerson Electric Co.*



Stephanie A. Cuskley

Audit Committee (Chair)
Compensation Committee (Member)
*CEO
Leona M. and Henry B. Helmsley Charitable Trust*



Walter J. Galvin

Audit Committee (Member)
Corporate Governance & Nominating Committee (Member)
*Former CFO & Vice Chairman
Emerson Electric Co.*



Rhonda Germany Ballintyn

Corporate Governance & Nominating Committee (Member)
Strategic Planning & Finance Committee (Member)
*VP & Chief Strategy and Marketing Officer
Honeywell International, Inc.*



Juanita H. Hinshaw

Compensation Committee (Chair)
Audit Committee (Member)
*President & CEO
H & H Advisors*



M. Richard Smith

Corporate Governance & Nominating Committee (Chair)
Strategic Planning & Finance Committee (Member)
*Former SVP and President, Fossil Power
Bechtel Corporation*



Phillip D. Wright

Compensation Committee (Member)
Strategic Planning & Finance Committee (Member)
*Former President & CEO
Williams Energy Services, Inc.*



Stronger. Safer. Infrastructure.®

AEGION CORPORATION

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636.530.8000
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