

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, 2020

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 No. 001-36876

BABCOCK & WILCOX ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware

47-2783641

(State or other Jurisdiction of Incorporation or Organization)

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

1200 East Market Street, Suite 650

Akron, Ohio

44305

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: **(330) 753-4511**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	BW	New York Stock Exchange
8.125% Senior Notes due 2026	BWSN	New York Stock Exchange

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 Section 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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter (based on the closing sales price on the New York Stock Exchange on June 30, 2020) was approximately \$52.6 million.

The number of shares of the registrant's common stock outstanding at February 28, 2021 was 85,564,466.

DOCUMENTS INCORPORATED BY REFERENCE

In accordance with General Instruction G(3) of Form 10-K, certain information required by Part III hereof will either be incorporated into this Form 10-K by reference to our Definitive Proxy Statement for our Annual Meeting of Shareholders filed within 120 days of December 31, 2020 or will be included in an amendment to this Form 10-K filed within 120 days of December 31, 2020.

SUMMARY RISK FACTORS

Our business is subject to varying degrees of risk and uncertainty. Investors should consider the risks and uncertainties summarized below, as well as the risks and uncertainties discussed in Part I, Item 1A, “Risk Factors” of this Annual Report on Form 10-K. The summary below is provided for ease of reference, is not intended to reflect a complete explanation of relevant risks and uncertainties and should be read together with the more detailed description of these risks and uncertainties in Part I, Item 1A, “Risk Factors” of this Annual Report on Form 10-K. Additional risks not presently known to us or that we currently deem immaterial may also affect us. If any of these risks occur, our business, financial condition, results of operations or cash flows could be materially and adversely affected, and, as a result, the trading price for our common stock could decline.

Our business is subject to the following principal risks and uncertainties:

- Our business, financial condition and results of operations, and those of our customers, suppliers and vendors, are being adversely affected by the recent global COVID-19 outbreak and may be adversely affected by other similar outbreaks;
- We are subject to risks associated with contractual pricing in our industry, including the risk that, if our actual costs exceed the costs we estimate on our fixed-price contracts, our profitability will decline, and we may suffer losses;
- Our contractual performance may be affected by third parties' and subcontractors' failure to meet schedule, quality and other requirements on our contracts, which could increase our costs, scope, technical difficulty or in extreme cases, our ability to meet contractual requirements;
- If our co-venturers fail to perform their contractual obligations on a contract or if we fail to coordinate effectively with our co-venturers, we could be exposed to legal liability, loss of reputation, reduced profit, or liquidity challenges;

- Our operations are subject to operating risks, which could expose us to potentially significant professional liability, product liability, warranty and other claims. Our insurance coverage may be inadequate to cover all of our significant risks, our insurers may deny coverage of material losses we incur, or we may be unable to obtain additional insurance coverage in the future, any of which could adversely affect our profitability and overall financial condition;
- We may not be able to compete successfully against current and future competitors;
- We derive substantial revenues from electric power generating companies and other steam-using industries, including coal-fired power plants in particular. Demand for our products and services depending on spending in these historically cyclical industries. Additionally, legislative and regulatory developments relating to clean air legislation are affecting industry plans for spending on coal-fired power plants within the United States and elsewhere;
- Demand for our products and services is vulnerable to macroeconomic downturns and industry conditions;
- We must refinance our A&R Credit Agreement on or prior to June 30, 2022,
- Our A&R Credit Agreement, which governs our U.S. Revolving Credit Facility and our Last Out Term Loans, restricts our operations;
- Maintaining adequate bonding and letter of credit capacity is necessary for us to successfully complete, bid on and win various contracts;
- We are exposed to credit risk and may incur losses as a result of such exposure;
- A disruption in, or failure of our information technology systems, including those related to cybersecurity, could adversely affect our business operations and financial performance;
- We are subject to government regulations that may adversely affect our future operations;
- Our operations are subject to various environmental laws and legislation that may become more stringent in the future;
- Our operations involve the handling, transportation and disposal of hazardous materials, and environmental laws and regulations and civil liability for contamination of the environment or related personal injuries may result in increases in our operating costs and capital expenditures and decreases in our earnings and cash flows;
- Our international operations are subject to political, economic and other uncertainties not generally encountered in our domestic operations;
- International uncertainties and fluctuations in the value of foreign currencies could harm our profitability;
- Substantial sales, or the perception of sales, of our common stock by us or certain of our existing shareholders could cause our stock price to decline and future issuances may dilute our common shareholders' ownership in the Company;
- B. Riley and Vintage each have significant influence over us;
- We are subject to continuing contingent liabilities of BWXT following the spin-off;
- We could be subject to changes in tax rates or tax law, adoption of new regulations, changing interpretations of existing law or exposure to additional tax liabilities in excess of accrued amounts that could adversely affect our financial position;
- Our ability to use net operating losses ("NOLs") and certain tax credits to reduce future tax payments could be further limited if we experience an additional "ownership change";
- Negotiations with labor unions and possible work stoppages and other labor problems could divert management's attention and disrupt operations. In addition, new collective bargaining agreements or amendments to existing agreements could increase our labor costs and operating expenses;
- Pension and medical expenses associated with our retirement benefit plans may fluctuate significantly depending on a number of factors, and we may be required to contribute cash to meet underfunded pension obligations; and,
- Natural disasters or other events beyond our control, such as war, armed conflicts or terrorist attacks could adversely affect our business.

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PART I

***** Cautionary Statement Concerning Forward-Looking Information *****

This Annual Report on Form 10-K, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical or current fact included in this Annual Report are forward-looking statements. You should not place undue reliance on these statements. Forward-looking statements include words such as "expect," "intend," "plan," "likely," "seek," "believe," "project," "forecast," "target," "goal," "potential," "estimate," "may," "might," "will," "would," "should," "could," "can," "have," "due," "anticipate," "assume," "contemplate," "continue" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operational performance or other events.

These forward-looking statements are based on management's current expectations and involve a number of risks and uncertainties, including, among other things, the impact of COVID-19 on us and the capital markets and global economic climate generally; our recognition of any asset impairments as a result of any decline in the value of our assets or our efforts to dispose of any assets in the future; our ability to obtain and maintain sufficient financing to provide liquidity to meet our business objectives, surety bonds, letters of credit and similar financing; our ability to comply with the requirements of, and to service the indebtedness under, our A&R Credit Agreement; our anticipated use of proceeds from our recent offerings of our common stock and 8.125% senior notes due 2026; the highly competitive nature of our businesses and our ability to win work, including identified project opportunities in our pipeline; general economic and business conditions, including changes in interest rates and currency exchange rates; cancellations of and adjustments to backlog and the resulting impact from using backlog as an indicator of future earnings; our ability to perform contracts on time and on budget, in accordance with the schedules and terms established by the applicable contracts with customers; failure by third-party subcontractors, partners or suppliers to perform their obligations on time and as specified; our ability to successfully resolve claims by vendors for goods and services provided and claims by customers for items under warranty; our ability to realize anticipated savings and operational benefits from our restructuring plans, and other cost-savings initiatives; our ability to successfully address productivity and schedule issues in our B&W Renewable, B&W Environmental and B&W Thermal segments, including the ability to complete our B&W Renewable's European EPC projects and B&W Environmental's U.S. loss projects within the expected time frame and the estimated costs; our ability to successfully partner with third parties to win and execute contracts within our B&W Environmental, B&W Renewable and B&W Thermal segments; changes in our effective tax rate and tax positions, including any limitation on our ability to use our net operating loss carryforwards and other tax assets; our ability to successfully manage research and development projects and costs, including our efforts to successfully develop and commercialize new technologies and products; the operating risks normally incident to our lines of business, including professional liability, product liability, warranty and other claims against us; difficulties we may encounter in obtaining regulatory or other necessary permits or approvals; changes in actuarial assumptions and market fluctuations that affect our net pension liabilities and income; our ability to successfully compete with current and future competitors; our ability to negotiate and maintain good relationships with labor unions; changes in pension and medical expenses associated with our retirement benefit programs; social, political, competitive and economic situations in foreign countries where we do business or seek new business. These factors also include the cautionary statements included in this report and the risk factors set forth under Part I, Item 1A of this Annual Report.

These forward-looking statements are made based upon detailed assumptions and reflect management's current expectations and beliefs. While we believe that these assumptions underlying the forward-looking statements are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect actual results.

The forward-looking statements included herein are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as required by law.

ITEM 1. Business

In this Annual Report on Form 10-K, or this "Annual Report", unless the context otherwise indicates, "B&W," "we," "us," "our" or the "Company" mean Babcock & Wilcox Enterprises, Inc. and its consolidated subsidiaries.

B&W is a growing, globally-focused renewable, environmental and thermal technologies provider with decades of experience providing diversified energy and emissions control solutions to a broad range of industrial, electrical utility, municipal and other customers. B&W's innovative products and services are organized into three market-facing segments:

- **Babcock & Wilcox Renewable:** Cost-effective technologies for efficient and environmentally sustainable power and heat generation, including waste-to-energy, biomass energy and black liquor systems for the pulp and paper industry. B&W's leading technologies support a circular economy, diverting waste from landfills to use for power generation and replacing fossil fuels, while recovering metals and reducing emissions.
- **Babcock & Wilcox Environmental:** A full suite of best-in-class emissions control and environmental technology solutions for utility, waste to energy, biomass, carbon black, and industrial steam generation applications around the world. B&W's broad experience includes systems for cooling, ash handling, particulate control, nitrogen oxides and sulfur dioxides removal, chemical looping for carbon control, and mercury control.
- **Babcock & Wilcox Thermal:** Steam generation equipment, aftermarket parts, construction, maintenance and field services for plants in the power generation, oil and gas, and industrial sectors. B&W has an extensive global base of installed equipment for utilities and general industrial applications including refining, petrochemical, food processing, metals and others.

Our business depends significantly on the capital, operations and maintenance expenditures of global electric power generating companies, including renewable and thermal powered heat generation industries and industrial facilities with environmental compliance policy requirements. Several factors may influence these expenditures, including:

- climate change initiatives promoting environmental policies which include renewable energy options utilizing waste-to-energy or biomass to meet legislative requirements and clean energy portfolio standards in the United States, European, Middle East and Asian markets;
- requirements for environmental improvements in various global markets;
- expectation of future governmental requirements to further limit or reduce greenhouse gas and other emissions in the United States, Europe and other international climate change sensitive countries;
- prices for electricity, along with the cost of production and distribution including the cost of fuels within the United States, Europe, Middle East and Asian based countries;
- demand for electricity and other end products of steam-generating facilities;
- level of capacity utilization at operating power plants and other industrial uses of steam production;
- requirements for maintenance and upkeep at operating power plants to combat the accumulated effects of usage;
- overall strength of the industrial industry; and
- ability of electric power generating companies and other steam users to raise capital.

Customer demand is heavily affected by the variations in our customers' business cycles and by the overall economies and energy, environmental and noise abatement needs of the countries in which they operate.

Recent Developments

2021 Common Stock Offering

As described in Note 25, to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on February 12, 2021, we completed a public offering of our common stock, par value \$0.01 per share ("Common Stock"). The offering was conducted pursuant to an underwriting agreement (the "Underwriting Agreement") dated February 9, 2021, between us and B. Riley Securities, Inc., a related party, as representative of the several underwriters (the "Underwriters"). At the closing, we issued 29,487,180 shares of Common Stock, inclusive of 3,846,154 shares of Common Stock issued pursuant to the full exercise of the Underwriter's option to purchase Common Stock. We received gross proceeds of approximately \$172.5 million from the 2021 common stock offering. Net proceeds received were approximately \$163 million after deducting underwriting discounts and commissions, but before expenses.

The net proceeds of the Common Stock offering and the Senior Notes offering, described below, are expected to be used to support our clean energy growth initiatives, to make a prepayment towards the outstanding U.S. Revolving Credit Facility and permanently reduce the commitments under our senior secured credit facilities.

2021 Senior Notes Offering

As described in Note 25, to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on February 12, 2021, we completed a public offering of \$120 million aggregate principal amount of our 8.125% senior notes due 2026 (the “Senior Notes”). The offering was conducted pursuant to an underwriting agreement (the “Notes Underwriting Agreement”) dated February 10, 2021, between us and B. Riley Securities, Inc., a related party, as representative of several underwriters (the “Underwriters”). At the completion, we received gross proceeds of approximately \$125 million aggregate principal amount of Senior Notes, inclusive of \$5 million aggregate principal amount of Senior Notes issued pursuant to the full exercise of the Underwriter’s option to purchase Senior Notes. Net proceeds received were approximately \$120 million after deducting underwriting discounts and commissions, but before expenses.

In addition to the public offering, we issued \$35 million of Senior Notes to B. Riley Financial, Inc., a related party, in exchange for a deemed prepayment of our existing Last Out Term Loan¹ Tranche A-6 in a concurrent private offering.

On February 12, 2021, we also entered into an indenture (the “Base Indenture”) and a supplemental indenture (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”) with The Bank of New York Mellon Trust Company National Association, as trustee (the “Trustee”), among the Company and the Trustee. The Indenture establishes the form and provides for the issuance of the Senior Notes.

The Senior Notes are senior unsecured obligations of the Company and rank equally in right of payment with all of the Company’s other existing and future senior unsecured and unsubordinated indebtedness. The Senior Notes are effectively subordinated in right of payment to all of the Company’s existing and future secured indebtedness and structurally subordinated to all existing and future indebtedness of the Company’s subsidiaries, including trade payables. The Notes bear interest at the rate of 8.125% per annum. Interest on the Senior Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year, commencing on April 30, 2021. The Notes will mature on February 28, 2026.

We may, at our option, at any time and from time to time, redeem the Senior Notes for cash in whole or in part (i) on or after February 28, 2022 and prior to February 28, 2023, at a price equal to \$25.75 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption, (ii) on or after February 28, 2023 and prior to February 29, 2024, at a price equal to \$25.50 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption, (iii) on or after February 29, 2024 and prior to February 28, 2025, at a price equal to \$25.25 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption and (iv) on or after February 28, 2025 and prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Notes.

The Indenture contains customary events of default and cure provisions. If an uncured default occurs and is continuing, the Trustee or the holders of at least 25% of the principal amount of the Senior Notes may declare the entire amount of the Senior Notes, together with accrued and unpaid interest, if any, to be immediately due and payable. In the case of an event of default involving the Company’s bankruptcy, insolvency or reorganization, the principal of, and accrued and unpaid interest on, the principal amount of the Senior Notes, together with accrued and unpaid interest, if any, will automatically, and without any declaration or other action on the part of the Trustee or the holders of the Senior Notes, become due and payable.

Amendments to the A&R Credit Agreement

As described in Note 25, to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on February 8, 2021, we entered into A&R Amendment No. 2 with Bank of America. A&R Amendment No. 2, among other matters, (i) permits the issuance of the Senior Notes in the 2021 senior notes offering described above, (ii) permits the deemed prepayment of \$35 million of our Tranche A term loan with \$35 million principal amount of Senior Notes, (iii) provides that 75% of the Senior Notes gross proceeds shall be used to repay outstanding borrowings and permanently reduce the commitments under our senior secured credit facilities, and (iv) provide that \$5 million of certain previously deferred facility fees will be paid by the Company.

As described in Note 25, to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on March 4, 2021, we entered into A&R Amendment No. 3 with Bank of America. A&R Amendment No. 3, among other matters, at the date of effectiveness (i) permits the prepayment of certain term loans, (ii) reduces the revolving credit commitments to

\$130 million and removes the ability to obtain revolving loans under the credit agreement, and (iii) amends certain covenants and conditions to the extension of credit.

On March 4, 2021, effective with the execution of Amendment No. 3, we paid \$75 million towards our existing Last Out Term Loans and paid \$21.8 million of accrued and deferred fees related to the revolving credit facility.

2021 Exchange Agreement

As described in Note 25, to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on February 12, 2021, the Company and B. Riley Financial, Inc. (“B. Riley”), a related party, entered into a letter agreement (the “Exchange Agreement”) pursuant to which we agreed to issue to B. Riley \$35 million aggregate principal amount of Senior Notes in exchange for a deemed prepayment of \$35 million of our existing Tranche A term loan with B. Riley (the “Exchange”). The Exchange Agreement also provides that, promptly following the date of the Exchange Agreement, the parties thereto will negotiate in good faith and use commercially reasonable efforts to enter into an agreement providing B. Riley or its designated affiliates with customary registration rights in respect of the Senior Notes issued to B. Riley in the Exchange.

On February 12, 2021, we issued \$35 million of Senior Notes to B. Riley Financial, Inc. in exchange for a deemed prepayment of our existing Last Out Term Loan Tranche A-6.

COVID-19

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China and has subsequently spread globally. This global pandemic has disrupted business operations, trade, commerce, financial and credit markets, and daily life throughout the world. Our business has been, and continues to be, adversely impacted by the measures taken and restrictions imposed in the countries in which we operate and by local governments and others to control the spread of this virus. These measures and restrictions have varied widely and have been subject to significant changes from time to time depending on the changes in the severity of the virus in these countries and localities. These restrictions, including travel and curtailment of other activity, negatively impact our ability to conduct business. The volatility and variability of the virus has limited our ability to forecast the impact of the virus on our customers and our business. The continuing resurgence of COVID-19, including at least one new strain thereof, has resulted in the reimposition of certain restrictions and may lead to other restrictions being implemented in response to efforts to reduce the spread of the virus. These varying and changing events have caused many of the projects we had anticipated would begin in 2020 to be delayed into 2021 and beyond. Many customers and projects require B&W's employees to travel to customer and project worksites. Certain customers and significant projects are located in areas where travel restrictions have been imposed, certain customers have closed or reduced on-site activities, and timelines for completion of certain projects have, as noted above, been extended into 2021 and beyond. Additionally, out of concern for our employees, even where restrictions permit employees to return to our offices and worksites, we have incurred additional costs to protect our employees as well as, advising those who are uncomfortable returning to worksites due to the pandemic that they are not required to do so for an indefinite period of time. The resulting uncertainty concerning, among other things, the spread and economic impact of the virus has also caused significant volatility and, at times, illiquidity in global equity and credit markets. The full extent of the COVID-19 impact on our operational and financial performance will depend on future developments, including the ultimate duration and spread of the pandemic and related actions taken by the U.S. government, state and local government officials, and international governments to prevent disease spread, as well as the availability and effectiveness of COVID-19 vaccinations in the U.S. and abroad, all of which are uncertain, out of our control, and cannot be predicted.

Beginning in April 2020, as part of the Company's response to the impact of the COVID-19 pandemic on its business, the Company has taken a number of cash conservation and cost reduction measures, as described in Note 1 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

Contracts

We execute our contracts through a variety of methods, including fixed-price, cost-plus, target price cost incentive, cost-reimbursable or some combination of these methods. Contracts are usually awarded through a competitive bid process. Factors that customers may consider include price, technical capabilities of equipment and personnel, plant or equipment availability, efficiency, safety record and reputation.

Fixed-price contracts are for a fixed selling price to cover all costs and any profit element for a defined scope of work. Fixed-price contracts entail more risk to us because they require us to predetermine both the quantities of work to be performed and the costs associated with executing the work.

We have contracts that extend beyond one year. Most of our long-term contracts have provisions for progress payments. We attempt to cover anticipated increases in labor, material and service costs of our long-term contracts either through an estimate of such changes, which is reflected in the original price, or through risk-sharing mechanisms, such as escalation or price adjustments for items such as labor and commodity prices. In the event of a contract deferral or cancellation without cause, we generally would be entitled to recover costs incurred, settlement expenses and profit on work completed prior to deferral or termination. Significant or numerous cancellations could adversely affect our business, financial condition, results of operations and cash flows.

From time to time, we partner with other companies to meet the needs of our customers, which can result in project-related joint venture entities or other contractual arrangements. While we carefully select our partners in these arrangements, they can subject us to risks that we may not be able to fully control and may include joint and several liability. An example of this includes BWL Energy Ltd., which was formed to complete the construction of a waste wood fired boiler contract in the United Kingdom (the fifth European B&W Renewable EPC loss contracts described in Note 5 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report). This joint venture combined our expertise in waste-to-energy power plant design, engineering, procurement and construction with our partner's civil construction capability to provide a full turnkey product to our customer.

We generally recognize our contract revenues and related costs over time using the cost-to-cost input method that uses costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Accordingly, we review contractual sales price and cost estimates regularly as the work progresses and reflect adjustments in profit proportionate to the percentage-of-completion in the period when we revise those estimates. To the extent that these adjustments result in a reduction or an elimination of previously reported profits with respect to a contract, we would recognize a charge against current earnings, which could be material.

See further description of risks related to our contracting in *Risks Related to Our Operations* in Part I, Item 1A of this Annual Report.

Our arrangements with customers frequently require us to provide letters of credit, bid and performance bonds or guarantees to secure bids or performance under contracts, which may involve providing cash collateral or other contract security that we may not be able to provide.

Other sales, such as parts and certain aftermarket service activities, are not in the form of long-term contracts, and we recognize revenues as goods are delivered and work is performed. See further discussion in Note 5 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

Foreign Operations

Our operations in Denmark provide comprehensive services to companies in the waste-to-energy and biomass energy sector of the power generation market, currently primarily in Europe. Our operations in Italy provide custom-engineered comprehensive wet and dry cooling solutions and aftermarket parts and services to the power generation industry including natural gas-fired and renewable energy power plants, as well as downstream oil and gas, petrochemical and other industrial end markets in Europe, the Middle East and the Americas. Our operations in Scotland and China primarily provide boiler cleaning technologies and systems (such as sootblowers), primarily to Europe and China, respectively. Our Canadian operations serve the Canadian industrial power, oil production and electric utility markets. We have manufacturing facilities in Mexico to serve global markets. We also own a manufacturing facility in China that produces tube bundles for our cooling solutions.

Our operations are assessed based on three reportable segments which changed in 2020 as part of our strategic, market-focused organizational and re-branding initiative to accelerate growth and provide stakeholders improved visibility into our renewable and environmental growth platforms. The reportable segment change in 2020 also reflects an ongoing integration of our foreign operations services on a worldwide basis, as well as expanding services beyond Europe to meet emerging global demand for these services, including the Americas and the Middle East.

The functional currency of our foreign operating entities is not the United States dollar, and as a result, we are subject to exchange rate fluctuations that impact our financial position, results of operations and cash flows. We do not currently engage in currency hedging activities to limit the risks of currency fluctuations.

For additional information on the geographic distribution of our revenues, see Note 4 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

Customers

We provide our products and services to a diverse customer base that includes utilities and other power producers located around the world. We have no customers that individually accounted for more than 10% of our consolidated revenues for the years ended December 31, 2020 and 2019. Refer to Note 4 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for additional information.

Competition

With over 150 years of experience, we have supplied highly engineered energy and environmental equipment in more than 90 countries. We have a competitive advantage in our experience and technical capability to reliably convert a wide range of fuels to steam. Our strong, installed base around the globe also yields competitive advantages, although our markets are highly competitive and price sensitive. We compete with a number of domestic and foreign companies specializing in power generation, environmental, and cooling systems and services. Each segment's primary competitors are summarized as follows:

B&W Renewable segment	B&W Environmental segment	B&W Thermal segment
CNIM Group	Hamon	GE ⁽¹⁾
Hitachi Zosen	Enexio	MH Power Systems ⁽¹⁾
Martin	Seagull	Babcock Power ⁽¹⁾
Keppel Seghers	Paharpur	Doosan ⁽¹⁾
Valmet	Evapco	Clyde Bergemann
Andritz	SPG Dry	Enerfab
Steinmuller	Radscan AB	
	LAB	

⁽¹⁾ GE, MH Power Systems, Babcock Power & Doosan are also considered primary competitors of the B&W Environmental Segment.

Across each of our segments, we also compete with a variety of engineering and construction companies related to installation of steam generating systems and environmental control equipment; specialized industrial equipment; and other suppliers of replacement parts, repair and alteration services and other services required to retrofit and maintain existing steam generating systems. The primary bases of competition are price, technical capabilities, quality, timeliness of performance, breadth of products and services and willingness to accept contract risks.

Raw Materials and Suppliers

Our operations use raw materials such as carbon and alloy steels in various forms and components and accessories for assembly, which are available from numerous sources. We do not view ourselves as having any "principal" suppliers because none exceed 10% of the Company's cost of goods sold. We generally purchase these raw materials and components as needed for individual contracts. We do not depend on a single source of supply for any significant raw materials. Although shortages of some raw materials have existed from time to time, no serious shortage exists at the present time.

Employees

At December 31, 2020, we had approximately 2,100 employees worldwide, of which approximately 2,050 were full-time. Approximately 400 of our hourly employees are union-affiliated, covered by four union agreements related to active facilities in Mexico, the United States, the United Kingdom, and Canada. We have one union agreement that expires in 2022 and one that expires in 2023. We are preparing to renegotiate two other agreements that expire in 2021. We consider our relationships with our employees and unions to be in good standing.

Patents and Licenses

We currently hold a large number of United States and foreign patents and have patent applications pending. We have acquired patents and technology licenses and granted technology licenses to others when we have considered it advantageous for us to do so. Although in the aggregate our patents and licenses are important to us, we do not regard any single patent or license or group of related patents or licenses as critical or essential to our business as a whole. In general, we depend on our technological capabilities and the application thereof, rather than patents and licenses, in the conduct of our various businesses.

Research and Development Activities

Our research and development activities improve our products through innovations to reduce the cost of our products to make them more competitive and through innovations to reduce performance risk of our products to better meet our customer expectations. Research and development costs are expensed as incurred.

Permits and Licenses

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. The kinds of permits, licenses and certificates required in our operations depend upon a number of factors. We are not aware of any material noncompliance and believe our operations and certifications are currently in compliance with all relevant permits, licenses and certifications.

Environmental

We have been identified as a potentially responsible party at various cleanup sites under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (“CERCLA”). CERCLA and other environmental laws can impose liability for the entire cost of cleanup on any of the potentially responsible parties, regardless of fault or the lawfulness of the original conduct. Generally, however, where there are multiple responsible parties, a final allocation of costs is made based on the amount and type of wastes disposed of by each party and the number of financially viable parties, although this may not be the case with respect to any particular site. We have not been determined to be a major contributor of wastes to any of these sites. On the basis of our relative contribution of waste to each site, we expect our share of the ultimate liability for the various sites will not have a material adverse effect on our consolidated financial condition, results of operations or cash flows in any given year.

Information about our Executive Officers

For a listing of our executive officers, see Part III, Item 10 of this Annual Report, which information is incorporated herein by reference.

Available Information

Our website address is www.babcock.com. We make available through the Investor section of this website under “Financial Information,” free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, our proxy statement, statements of beneficial ownership of securities on Forms 3, 4 and 5 and amendments to those reports as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the Securities and Exchange Commission (the “SEC”). In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and annual reports, and other information regarding issuers that file electronically with the SEC. We have also posted on our website our: Corporate Governance Principles; Code of Business Conduct; Code of Ethics for our Chief Executive Officer and Senior Financial Officers; Related Party Transactions Policy; Management, Board Members and Independent Director Contact Information; Amended and Restated By-laws; charters for the Audit & Finance, Governance, and Compensation Committees of our Board; and Modern Slavery Transparency Statement. We are not including the information contained in our website as part of or incorporating it by reference into this Annual Report.

Item 1A. Risk Factors

You should carefully consider each of the following risks and all of the other information contained in this Annual Report. If any of these risks develop into actual or expected events, our business, financial condition, results of operations or cash flows could be materially and adversely affected, and, as a result, the trading price of our common stock could decline.

The risks discussed below are not the only ones facing our business but do represent those risks that we believe are material to us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business. Please read the cautionary notice regarding forward-looking statements under the heading “Cautionary Statement Concerning Forward-Looking Information.”

Risks Related to Our Operations

Our business, financial condition and results of operations, and those of our customers, suppliers and vendors, are being adversely affected by the recent global COVID-19 outbreak and may be adversely affected by other similar outbreaks.

When a pandemic or outbreak of an infectious disease occurs, our business, financial condition and results of operations may be adversely affected. In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China and has subsequently spread globally. This global pandemic has disrupted business operations, trade, commerce, financial and credit markets, and daily life throughout the world. Our business has been, and continues to be, adversely impacted by the measures taken and restrictions imposed in the countries in which we operate and by local governments and others to control the spread of this virus. These measures and restrictions have varied widely and have been subject to significant changes from time to time depending on the changes in the severity of the virus in these countries and localities. These restrictions, including travel and curtailment of other activity, negatively impact our ability to conduct business. The volatility and variability of the virus has limited our ability to forecast the impact of the virus on our customers and our business. The continuing resurgence of COVID-19, including at least one new strain thereof, has resulted in the reimposition of certain restrictions and may lead to other restrictions being implemented in response to efforts to reduce the spread of the virus. These varying and changing events have caused many of the projects we had anticipated would begin in 2020 to be delayed into 2021 and beyond. Many customers and projects require B&W's employees to travel to customer and project worksites. Certain customers and significant projects are located in areas where travel restrictions have been imposed, certain customers have closed or reduced on-site activities, and timelines for completion of certain projects have, as noted above, been extended into 2021 and beyond. Additionally, out of concern for our employees, even where restrictions permit employees to return to our offices and worksites, we have incurred additional costs to protect our employees as well as, advising those who are uncomfortable returning to worksites due to the pandemic that they are not required to do so for an indefinite period of time. The resulting uncertainty concerning, among other things, the spread and economic impact of the virus has also caused significant volatility and, at times, illiquidity in global equity and credit markets. The full extent of the COVID-19 impact on our operational and financial performance will depend on future developments, including the ultimate duration and spread of the pandemic and related actions taken by the U.S. government, state and local government officials, and international governments to prevent disease spread, as well as the availability and effectiveness of COVID-19 vaccinations in the U.S. and abroad, all of which are uncertain, out of our control, and cannot be predicted.

This outbreak, and any outbreak of a contagious disease or any other adverse public health developments in countries where we operate, could have material and adverse effects on our business, financial condition and results of operations. These effects could include, among others, delays in the construction of new projects or the delay of maintenance on existing products provided to our customers, as well as disruptions or restrictions on our employees' ability to travel to necessary worksites, including as a result of the temporary closure of our facilities or the facilities of our customers, suppliers, vendors or projects. Further, our suppliers and vendors may be adversely impacted, which may impair their ability to satisfy their contractual obligations to us and our customers. In addition, any outbreak may result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn or recession that could affect demand for our products or our ability to obtain financing for our business or projects.

The ultimate effect of the COVID-19 outbreak or any other outbreak on our business, financial condition and operations will depend heavily on the future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the virus and the actions taken to contain the virus or treat its impact, among others. In particular, the actual and threatened spread of the virus could have a material adverse effect on the global economy and may negatively impact financial markets in the future, including the trading price of our common stock, could cause continued interest rate volatility and movements that could make obtaining financing or refinancing our debt obligations more challenging or more expensive, could continue to limit the ability of our personnel to travel to service the needs of our customers as well as limiting the ability of our suppliers and vendors to travel

to service our business, and could result in any threatened areas to be subject to quarantine and shelter-in-place orders among other restrictions. Any of these developments could have a material adverse effect on our business, liquidity, capital resources and financial results and may result in our inability to continue operating as a going concern or require us to reorganize our company in its entirety, including through bankruptcy proceedings.

We are subject to risks associated with contractual pricing in our industry, including the risk that, if our actual costs exceed the costs we estimate on our fixed-price contracts, our profitability will decline, and we may suffer losses.

We are engaged in a highly competitive industry, and we have priced a number of our contracts on a fixed-price basis. Our actual costs could exceed our projections. We attempt to cover the increased costs of anticipated changes in labor, material and service costs of long-term contracts, either through estimates of cost increases, which are reflected in the original contract price, or through price escalation clauses. Despite these attempts, the cost and gross profit we realize on a fixed-price contract could vary materially from the estimated amounts because of supplier, contractor and subcontractor performance, changes in job conditions, variations in labor and equipment productivity and increases in the cost of labor and raw materials, particularly steel, over the term of the contract. These variations and the risks generally inherent in our industry may result in actual revenues or costs being different from those we originally estimated and may result in reduced profitability or losses on contracts. Some of these risks include:

- difficulties encountered on our large-scale contracts related to the procurement of materials or due to schedule disruptions, equipment performance failures, engineering and design complexity, unforeseen site conditions, rejection clauses in customer contracts or other factors that may result in additional costs to us, reductions in revenue, claims or disputes;
- our inability to obtain compensation for additional work we perform or expenses we incur as a result of our customers or subcontractors providing deficient design or engineering information or equipment or materials;
- requirements to pay liquidated damages upon our failure to meet schedule or performance requirements of our contracts; and
- difficulties in engaging third-party subcontractors, equipment manufacturers or materials suppliers or failures by third-party subcontractors, equipment manufacturers or materials suppliers to perform could result in contract delays and cause us to incur additional costs.

We have recently experienced these risks with several large loss contracts in our B&W Renewable and B&W Environmental segments, which resulted in significant losses for our operations, impaired our liquidity position and had previously resulted in substantial doubt regarding whether we would be able to continue to operate as a going concern. If we were to experience these risks again in the future, our business, results of operations, financial condition and liquidity may be materially and adversely affected.

Our contractual performance may be affected by third parties' and subcontractors' failure to meet schedule, quality and other requirements on our contracts, which could increase our costs, scope, technical difficulty or in extreme cases, our ability to meet contractual requirements.

We conduct significant portions of our business by engaging in long-term contracts related to highly complex, customized equipment or facilities for electrical generation, industrial processes, and/or environmental compliance. The complexity of these contracts generally necessitates the participation of others, including third-party suppliers, subcontractors, equipment or part manufacturers, partner companies, other companies with whom we do not have contractual relationships, customers, financing organizations, regulators and others. Our reliance on these parties subjects us to the risk of customer dissatisfaction with the quality or performance of the products or services we sell due to supplier or subcontractor failure. Third-party supplier and subcontractor business interruptions could include but are not limited to, work stoppages, union negotiations, other labor disputes and payment disputes. Current or future economic conditions could also impact the ability of suppliers and subcontractors to access credit and, thus, impair their ability to provide us quality products, materials, or services in a timely manner, or at all.

While we endeavor to limit our liability to matters within our control, not all scenarios can be foreseen, and we may become subject to the risk of others' performance that may or may not be within our control or influence. Delays, changes or failures of others, including third-party suppliers and subcontractors, could subject us to additional costs, delays, technical specification changes, contractual penalties or other matters for which we may be unable to obtain compensation, or compensation may not be sufficient. In extreme cases, the direct or indirect effects of such matters may cause us to be unable to fulfill our contractual requirements.

For example, we have had contracts to construct several renewable energy plants in the United Kingdom. These contracts have suffered delays, additional costs and contractual penalties. The complexity of these contracts required us to subcontract matters, such as structural engineering, to other companies that have the appropriate technical expertise. In September 2017, a structural steel issue was discovered at one of these plants, which management believes is the result of an engineering error by a subcontractor. The failure resulted in work being stopped at the plant with the failure and at two other plants under construction where failure had not occurred, but had used a similar design by the same subcontractor. In each case, additional engineering analysis and remediation was required, resulting in additional costs, schedule delays and contractual penalties, all of which were significantly greater at the plant where failure occurred. Through December 31, 2020, approximately \$36 million of additional costs had been recorded related to the effects of this engineering error across the three plants. In each case, the engineering assessment, remediation and safety plans required approval of the subcontractor, customer, our contract partner and the respective analysis of independent technical experts from each. Any insurance coverage may be insufficient, or the timing of any insurance proceeds may not meet our liquidity requirements. In the case of the fifth European B&W Renewable loss contract, where structural failure occurred, the process to agree on the appropriate structural remediation and plan to implement the remediation was lengthy and resulted in a more significant delay.

If our co-venturers fail to perform their contractual obligations on a contract or if we fail to coordinate effectively with our co-venturers, we could be exposed to legal liability, loss of reputation, reduced profit, or liquidity challenges.

We often perform contracts jointly with third parties or execute contracts with partners through joint ventures or other contractual arrangements. For example, we enter into contracting consortia and other contractual arrangements to bid for and perform jointly on large contracts. We may not be able to control the actions of our partners in these arrangements, and influence over the actions of our partners and the contractual outcomes may be limited. Success on these joint contracts depends in part on whether our co-venturers fulfill their contractual obligations satisfactorily. If any one or more of these third parties fail to perform their contractual obligations satisfactorily, we may be required to make additional investments and provide added services in order to compensate for that failure. If we are unable to adequately address any performance issues when and if required, customers may exercise their rights to terminate a joint contract, exposing us to legal liability, damage to our reputation, reduced profit or liquidity challenges.

For example, our joint venture partner for a renewable energy plant in the United Kingdom entered into administration (similar to filing for bankruptcy in the U.S.) in late February 2018. Accordingly, we were required to take over the civil scope of the renewable energy plant project, which resulted in significant delays and materially increased our costs on the project. The same joint venture partner is party to another previously awarded bid, but where notice to proceed has not been provided.

Our collaborative arrangements also involve risks that participating parties may disagree on business decisions and strategies. These disagreements could result in delays, additional costs and risks of litigation. In these arrangements, we sometimes have joint and several liabilities with our partners, and we cannot be certain that our partners will be able to satisfy any potential liability that could arise. Our inability to successfully maintain existing collaborative relationships or enter into new collaborative arrangements could have a material adverse effect on our results of operations.

Our backlog is subject to unexpected adjustments and cancellations and may not be a reliable indicator of future revenues or earnings.

There can be no assurance that the revenues projected in our backlog will be realized or, if realized, will result in profits. Because of contract cancellations or changes in scope and schedule, we cannot predict with certainty when or if backlog will be performed. In addition, even where a contract proceeds as scheduled, it is possible that contracted parties may default and fail to pay amounts owed to us or poor contract performance could increase the cost associated with a contract. Delays, suspensions, cancellations, payment defaults, scope changes and poor contract execution could materially reduce or eliminate the revenues and profits that we actually realize from contracts in backlog.

Reductions in our backlog due to cancellation or modification by a customer or for other reasons may adversely affect, potentially to a material extent, the revenues and earnings we actually receive from contracts included in our backlog. Many of the contracts in our backlog provide for cancellation fees in the event customers cancel contracts. These cancellation fees usually provide for reimbursement of our out-of-pocket costs, revenues for work performed prior to cancellation and a varying percentage of the profits we would have realized had the contract been completed. However, we typically have no contractual right upon cancellation to the total revenues reflected in our backlog. Contracts may remain in our backlog for

extended periods of time. If we experience significant contract terminations, suspensions or scope adjustments to contracts reflected in our backlog, our financial condition, results of operations and cash flows may be adversely impacted.

Our operations are subject to operating risks, which could expose us to potentially significant professional liability, product liability, warranty and other claims. Our insurance coverage may be inadequate to cover all of our significant risks, our insurers may deny coverage of material losses we incur, or we may be unable to obtain additional insurance coverage in the future, any of which could adversely affect our profitability and overall financial condition.

We engineer, construct and perform services in, and provide products for, large industrial facilities where accidents or system failures can have significant consequences. Risks inherent in our operations include:

- accidents resulting in injury or the loss of life or property;
- environmental or toxic tort claims, including delayed manifestation claims for personal injury or loss of life;
- pollution or other environmental mishaps;
- adverse weather conditions;
- mechanical failures;
- property losses;
- business interruption due to political action or other reasons; and
- labor stoppages.

Any accident or failure at a site where we have provided products or services could result in significant professional liability, product liability, warranty and other claims against us, regardless of whether our products or services caused the incident. We have been, and in the future, we may be, named as defendants in lawsuits asserting large claims as a result of litigation arising from events such as those listed above.

We endeavor to identify and obtain in established markets insurance agreements to cover significant risks and liabilities. Insurance against some of the risks inherent in our operations is either unavailable or available only at rates or on terms that we consider uneconomical. Also, catastrophic events customarily result in decreased coverage limits, more limited coverage, additional exclusions in coverage, increased premium costs and increased deductibles and self-insured retentions. Risks that we have frequently found difficult to cost-effectively insure against include, but are not limited to, business interruption, property losses from wind, flood and earthquake events, war and confiscation or seizure of property in some areas of the world, pollution liability, liabilities related to occupational health exposures (including asbestos), the failure, misuse or unavailability of our information systems, the failure of security measures designed to protect our information systems from cybersecurity threats, and liability related to risk of loss of our work in progress and customer-owned materials in our care, custody and control. Depending on competitive conditions and other factors, we endeavor to obtain contractual protection against uninsured risks from our customers. When obtained, such contractual indemnification protection may not be as broad as we desire or may not be supported by adequate insurance maintained by the customer. Such insurance or contractual indemnity protection may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. A successful claim for which we are not insured or for which we are underinsured could have a material adverse effect on us. Additionally, disputes with insurance carriers over coverage may affect the timing of cash flows and, if litigation with the carrier becomes necessary, an outcome unfavorable to us may have a material adverse effect on our results of operations. Moreover, certain accidents or failures, including accidents resulting in bodily injury or harm, could disqualify us from continuing business with customers, and any losses arising thereby may not be covered by insurance or other indemnification.

Our wholly-owned captive insurance subsidiary provides workers' compensation, employer's liability, commercial general liability, professional liability and automotive liability insurance to support our operations. We may also have business reasons in the future to have our insurance subsidiary accept other risks which we cannot or do not wish to transfer to outside insurance companies. These risks may be considerable in any given year or cumulatively. Our insurance subsidiary has not provided significant amounts of insurance to unrelated parties. Claims as a result of our operations could adversely impact the ability of our insurance subsidiary to respond to all claims presented.

Additionally, upon the February 22, 2006 effectiveness of the settlement relating to the Chapter 11 proceedings involving several of our subsidiaries, most of our subsidiaries contributed substantial insurance rights to the asbestos personal injury trust, including rights to (1) certain pre-1979 primary and excess insurance coverages and (2) certain of our 1979-1986 excess insurance coverage. These insurance rights provided coverage for, among other things, asbestos and other personal injury claims, subject to the terms and conditions of the policies. The contribution of these insurance rights was made in exchange for the agreement on the part of the representatives of the asbestos claimants, including the representative of future claimants, to the entry of a permanent injunction, pursuant to Section 524(g) of the United States Bankruptcy Code, to channel to the

asbestos trust all asbestos-related claims against our subsidiaries and former subsidiaries arising out of, resulting from or attributable to their operations, and the implementation of related releases and indemnification provisions protecting those subsidiaries and their affiliates from future liability for such claims. Although we are not aware of any significant, unresolved claims against our subsidiaries and former subsidiaries that are not subject to the channeling injunction and that relate to the periods during which such excess insurance coverage related, with the contribution of these insurance rights to the asbestos personal injury trust, it is possible that we could have underinsured or uninsured exposure for non-derivative asbestos claims or other personal injury or other claims that would have been insured under these coverages had the insurance rights not been contributed to the asbestos personal injury trust.

We may not be able to compete successfully against current and future competitors.

Some of our competitors or potential competitors have greater financial or other resources than we have and in some cases are government supported. Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than those of our products and services. Furthermore, we operate in industries where capital investment is critical. We may not be able to obtain as much purchasing and borrowing leverage and access to capital for investment as other companies, which may impair our ability to compete against competitors or potential competitors.

Risks Related to Our Industry

We derive substantial revenues from electric power generating companies and other steam-using industries, including coal-fired power plants in particular. Demand for our products and services depends on spending in these historically cyclical industries. Additionally, recent legislative and regulatory developments relating to clean air legislation are affecting industry plans for spending on coal-fired power plants within the United States and elsewhere.

The demand for power generation products and services depends primarily on the spending of electric power generating companies and other steam-using industries and expenditures by original equipment manufacturers. These expenditures are influenced by such factors including, but not limited to:

- prices for electricity, along with the cost of production and distribution;
- prices for natural resources such as coal and natural gas;
- demand for electricity and other end products of steam-generating facilities;
- availability of other sources of electricity or other end products;
- requirements of environmental legislation and regulations, including potential requirements applicable to carbon dioxide emissions;
- investments in renewable energy sources and technology;
- impact of potential regional, state, national and/or global requirements to significantly limit or reduce greenhouse gas emissions in the future;
- level of capacity utilization and associated operations and maintenance expenditures of power generating companies and other steam-using facilities;
- requirements for maintenance and upkeep at operating power plants and other steam-using facilities to combat the accumulated effects of wear and tear;
- ability of electric generating companies and other steam users to raise capital; and
- relative prices of fuels used in boilers, compared to prices for fuels used in gas turbines and other alternative forms of generation.

We estimate that 43% and 45% of our consolidated revenues in 2020 and 2019, respectively, were related to coal-fired power plants. The availability of natural gas in great supply has caused, in part, low prices for natural gas in the United States, which has led to more demand for natural gas relative to energy derived from coal. A material decline in spending by electric power generating companies and other steam-using industries on coal-fired power plants over a sustained period of time could materially and adversely affect the demand for our power generation products and services and, therefore, our financial condition, results of operations and cash flows. Coal-fired power plants have been scrutinized by environmental groups and government regulators over the emissions of potentially harmful pollutants. This scrutiny and other economic incentives including tax advantages, have promoted the growth of nuclear, wind and solar power, among others, and a decline in cost of renewable power plant components and power storage. The recent economic environment and uncertainty concerning new environmental legislation or replacement rules or regulations in the United States and elsewhere has caused many of our

major customers, principally electric utilities, to delay making substantial expenditures for new plants, and delay upgrades to existing power plants.

Demand for our products and services is vulnerable to macroeconomic downturns and industry conditions.

Demand for our products and services has been, and we expect that demand will continue to be, subject to significant fluctuations due to a variety of factors beyond our control, including macroeconomic and industry conditions. These factors include, but are not limited to, the cyclical nature of the industries we serve, inflation, geopolitical issues, the availability and cost of credit, volatile oil and natural gas prices, low business and consumer confidence, high unemployment and energy conservation measures.

Unfavorable macroeconomic conditions may lead customers to delay, curtail or cancel proposed or existing contracts, which may decrease the overall demand for our products and services and adversely affect our results of operations.

In addition, our customers may find it more difficult to raise capital in the future due to limitations on the availability of credit, increases in interest rates and other factors affecting the federal, municipal and corporate credit markets. Also, our customers may demand more favorable pricing terms and find it increasingly difficult to timely pay invoices for our products and services, which would impact our future cash flows and liquidity. Inflation or significant changes in interest rates could reduce the demand for our products and services. Any inability to timely collect our invoices may lead to an increase in our borrowing requirements, our accounts receivable and potentially to increased write-offs of uncollectible invoices. If the economy weakens, or customer spending declines, then our backlog, revenues, net income and overall financial condition could deteriorate.

Risks Related to Our Liquidity and Capital Resources

We must refinance our A&R Credit Agreement on or prior to June 30, 2022.

As described in Note 14 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on May 14, 2020, we entered into an agreement with our lenders amending and restating the Amended Credit Agreement (the “A&R Credit Agreement”). The A&R Credit Agreement refinanced our U.S. Revolving Credit Facility and Last Out Term Loans and extended the maturity dates of the U.S. Revolving Credit Facility to June 30, 2022, and the Last Out Term Loans to December 30, 2022.

Depending on our future financial condition and results of operations for 2021 and the first six months of 2022, the result of the continuing disruption to the U.S. and worldwide economic, financial and credit markets caused by COVID-19, and the related measures implemented by governments, individuals and private companies to contain the further spread of the virus, and other factors that may impact our ability to negotiate and obtain future financing, we may be unable to refinance our A&R Credit Agreement on or prior to June 30, 2022 or at all.

As described in Note 1 and Note 25 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on February 12, 2021, we completed offerings of our common stock and 8.125% senior notes due 2026. The aggregate net proceeds from the offerings were approximately \$283 million after deducting underwriting discounts and commissions, but before expenses. Also, as described in Note 1 and Note 25 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, we used approximately \$167.1 million of the net proceeds of these offerings to repay outstanding borrowings under our A&R Credit Agreement and we issued \$35 million aggregate principal amount of our 8.125% senior notes due 2026 to B. Riley Financial, Inc., a related party, in exchange for a deemed prepayment of \$35 million outstanding under our Tranche A term loan. Notwithstanding this reduction of the amount of borrowings outstanding under our A&R Credit Agreement, we may still be unable to refinance the remaining borrowings under our A&R Credit Agreement and there can be no assurance that our plan to improve our financial position will be successful or that we will be able to obtain additional capital in the future on commercially reasonable terms or at all. If we are unable to refinance our A&R Credit Facility on commercially reasonable terms or at all, it may materially and adversely affect our reputation, liquidity, business, financial condition or results of operations and may be necessary for us to reorganize our company in its entirety, including through bankruptcy proceedings.

We will have broad discretion in the use of the net proceeds from our recent offerings of our common stock and 8.125% senior notes due 2026.

As described in *Recent Developments* of Part II of this Annual Report on Form 10-K, on February 12, 2021, we closed our underwritten public offerings of common stock and 8.125% senior notes due 2026. We intend to use the net proceeds from these offerings to repay a portion or all of the outstanding indebtedness under our existing credit facilities, including loans outstanding under our A&R Credit Agreement. However, we retain broad discretion over the use of the net proceeds from the offerings and, accordingly, these proceeds could be applied in ways that do not improve our results of operations, financial condition or cash flows.

Our A&R Credit Agreement, which governs our U.S. Revolving Credit Facility and our Last Out Term Loans, restricts our operations.

The terms of our A&R Credit Agreement impose various restrictions and covenants on us that could have adverse consequences, including, but not limited to, limiting our:

- flexibility in planning for, or reacting to, changes in our business or economic, regulatory and industry conditions;
- ability to invest in joint ventures or acquire other companies;
- ability to sell assets;
- ability to pay dividends to our shareholders;
- ability to repurchase shares of our common stock;
- ability to borrow additional funds; and
- ability to issue additional letters of credit.

In addition, our A&R Credit Agreement requires us to satisfy and maintain specified financial ratios. The covenants of our A&R Credit Agreement also limited the amount of additional contract charges that we are able to incur on specific European B&W Renewable contracts. In the past, we have been forced to request amendments to the covenants of our previous Amended Credit Agreement, among others, and no assurance can be provided that we will be able to perform under the covenants of our A&R Credit Agreement in the future.

Our ability to comply with the covenants, restrictions and specified financial ratios contained in our A&R Credit Agreement may be affected by events beyond our control, including prevailing macroeconomic, financial and industry conditions, as well as the other risks discussed in this Annual Report. If market or other macroeconomic conditions deteriorate, or if we experience any of the other risks discussed in this Annual Report, our ability to comply with these covenants may be impaired. A breach of any of the covenants in our A&R Credit Agreement could result in an event of default under our A&R Credit Agreement, which would result in our inability to access our U.S. Revolving Credit Facility for additional borrowings and letters of credit while any default exists. Upon the occurrence of such an event of default, all amounts outstanding under our U.S. Revolving Credit Facility and our Last Out Term Loans could also be declared to be immediately due and payable and all applicable commitments to extend further credit could be terminated. If indebtedness under our A&R Credit Agreement is accelerated, there can be no assurance that we will have sufficient assets to repay the indebtedness. The operating and financial restrictions and covenants in our A&R Credit Agreement and any future financing agreements may adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

Maintaining adequate bonding and letter of credit capacity is necessary for us to successfully complete, bid on and win various contracts.

In line with industry practice, we are often required to post standby letters of credit and surety bonds to support contractual obligations to customers as well as other obligations. These letters of credit and bonds generally indemnify customers should we fail to perform our obligations under the applicable contracts. If a letter of credit or bond is required for a particular contract and we are unable to obtain it due to insufficient liquidity or other reasons, we will not be able to pursue that contract, or we could default on contracts that are underway or that have been awarded. We utilize bonding facilities, but, as is typically the case, the issuance of bonds under each of those facilities is at the surety's sole discretion. Moreover, due to events that affect the insurance and bonding and credit markets generally, bonding and letters of credit may be more difficult to obtain in the future or may only be available at significant additional cost. There can be no assurance that letters of credit or bonds from sources outside of our contractually committed U.S. Revolving Credit Facility will continue to be available to us on reasonable terms, and the use of our U.S. Revolving Credit Facility to obtain letters of credit or bonds may reduce the borrowing capacity under our U.S. Revolving Credit Facility. Our inability to obtain or maintain adequate letters of credit and

bonding and, as a result, to bid on new work could have a material adverse effect on our business, financial condition and results of operations. The aggregate value of all such letters of credit and bank guarantees opened outside of the U.S. Revolving Credit Facility as of December 31, 2020 and December 31, 2019 was \$84.5 million and \$88.5 million, respectively. The aggregate value of the letters of credit provided by the U.S. Revolving Credit Facility backstopping letters of credit or bank guarantees from sources outside our U.S. Revolving Credit Facility was \$32.0 million as of December 31, 2020. Of the letters of credit issued under the U.S. Revolving Credit Facility as of December 31, 2020, \$34.9 million are subject to foreign currency revaluation. Amendment No. 20 to our previous Amended Credit Agreement also provided an incremental Tranche A-5 last out term loans in the event certain customer letters of credit are drawn.

We, and certain of our subsidiaries, have jointly executed general agreements of indemnity in favor of surety underwriters relating to surety bonds those underwriters issue in support of some of our contracting activity. As of December 31, 2020, bonds issued and outstanding under these arrangements in support of contracts totaled approximately \$280.9 million. The aggregate value of the letters of credit provided by the U.S. Revolving Credit facility backstopping surety bonds from sources outside our U.S. Revolving Credit Facility was \$34.7 million as of December 31, 2020.

Our evaluation of strategic alternatives for certain businesses and non-core assets may not be successful.

We continue to evaluate strategic alternatives for our business lines and assets to improve the Company's capital structure. There can be no assurance that these ongoing strategic evaluations will result in the identification or consummation of any transaction. We may incur substantial expenses associated with identifying and evaluating potential strategic alternatives. The process of exploring strategic alternatives may be time consuming and disruptive to our business operations, and if we are unable to effectively manage the process, our business, financial condition and results of operations could be adversely affected. We cannot assure that any potential transaction or other strategic alternative, if identified, evaluated and consummated, will prove to be beneficial to shareholders and that the process of identifying, evaluating and consummating any potential transaction or other strategic alternative will not adversely impact our business, financial condition or results of operations. Any potential transaction would be dependent upon a number of factors that may be beyond our control, including, among other factors, market conditions, industry trends, the interest of third parties in our business, the availability of financing to potential buyers on reasonable terms, and the consent of our lenders.

In addition, while this strategic evaluation continues, we are exposed to risks and uncertainties, including potential difficulties in retaining and attracting key employees, distraction of our management from other important business activities, and potential difficulties in establishing and maintaining relationships with customers, suppliers, lenders, sureties and other third parties, all of which could harm our business.

Our total assets include goodwill and other indefinite-lived intangible assets. If we determine these have become impaired, our business, financial condition and results of operations could be materially adversely affected.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Indefinite-lived intangibles are comprised of certain trademarks and tradenames. At December 31, 2020, goodwill and other indefinite-lived intangible assets totaled \$71.3 million. We review goodwill and other intangible assets at least annually for impairment and any excess in carrying value over the estimated fair value is charged to the Consolidated Statement of Operations. Future impairment may result from, among other things, deterioration in the performance of an acquired business or product line, adverse market conditions and changes in the competitive landscape, adverse changes in applicable laws or regulations, including changes that restrict the activities of an acquired business or product line, and a variety of other circumstances. If the value of our business were to decline, or if we were to determine that we were unable to recognize an amount in connection with any proposed disposition in excess of the carrying value of any disposed asset, we may be required to recognize impairments for one or more of our assets that may adversely impact our business, financial condition and results of operations.

We are exposed to credit risk and may incur losses as a result of such exposure.

We conduct our business by obtaining orders that generate cash flows in the form of advances, contract progress payments and final balances in accordance with the underlying contractual terms. We are thus exposed to potential losses resulting from contractual counterparties' failure to meet their obligations. As a result, the failure by customers to meet their payment obligations, or a mere delay in making those payments, could reduce our liquidity and increase the need to resort to other sources of financing, with possible adverse effects on our business, financial condition, results of operations and cash flows. In some cases, we have joint and several liability with consortium partners in our projects, such as the renewable energy

plants in the United Kingdom, and we may be subject to additional losses if our partners are unable to meet their contractual obligations. For example, in the case of the fifth European B&W Renewable loss contract, our civil construction partner for this project entered into administration in February 2018 (similar to filing for bankruptcy in the U.S.), and we were required to assume its scope of work.

In addition, the deterioration of macroeconomic conditions or negative trends in the global credit markets could have a negative impact on relationships with customers and our ability to collect on trade receivables, with possible adverse effects on our business, financial condition, results of operations and cash flows.

Interest rates on certain of our outstanding indebtedness are tied to LIBOR and may be subject to change.

LIBOR and certain other “benchmarks” are the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. In particular, on July 27, 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. It is unclear whether, at that time, LIBOR will cease to exist or if new methods of calculating LIBOR will be established. As of December 31, 2020, approximately \$145 million of our outstanding indebtedness had interest rate payments determined based directly or indirectly on LIBOR, including our outstanding indebtedness under our A&R Credit Agreement. If there is uncertainty as to whether LIBOR will continue to be quoted, if LIBOR ceases to exist or if the methods of calculating LIBOR change from current methods for any reason, the interest rates on this indebtedness may increase substantially from those we have previously experienced. Further, our A&R Credit Agreement contains provisions establishing alternative methods for calculating the interest rate on our indebtedness if LIBOR is no longer available. Any such alternative calculation methods could increase the interest expense we have historically realized on our indebtedness or realize on future indebtedness under our A&R Credit Agreement.

Risks Related to Intellectual Property and Information Security

A disruption in, or failure of our information technology systems, including those related to cybersecurity, could adversely affect our business operations and financial performance.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic sensitive and confidential information, to manage and support a variety of business processes and activities and to comply with regulatory, legal and tax requirements. While we maintain some of our critical information technology systems, we are also dependent on third parties to provide important information technology services relating to, among other things, human resources, electronic communications and certain finance functions.

We face various threats to our information technology networks and systems, including cyber threats, threats to the physical security of our facilities and infrastructure from natural or man-made incidents or disasters, and threats from terrorist acts, as well as the potential for business disruptions associated with these threats. We have been, and will likely continue to be, subject to cyber-based attacks and other attempts to threaten our information technology systems and the software we sell. A cyber-based attack could include attempts to gain unauthorized access to our proprietary information and attacks from malicious third parties using sophisticated, targeted methods to circumvent firewalls, encryption and other security defenses, including hacking, fraud, phishing scams or other forms of deception. Although we utilize a combination of tailored and industry standard security measures and technology to monitor and mitigate these threats, we cannot guarantee that these measures and technology will be sufficient to prevent current and future threats to our information technology networks and systems from materializing. Furthermore, we may have little or no oversight with respect to security measures employed by third-party service providers, which may ultimately prove to be ineffective at countering threats.

If these systems are damaged, intruded upon, attacked, shutdown or cease to function properly, whether by planned upgrades, force majeure, telecommunication failures, hardware or software beak-ins or viruses, or other cybersecurity incidents and our business continuity plans do not resolve the issues in a timely manner, the services we provide to customers, the value of our investment in research and development efforts and other intellectual property, our product sales, our ability to comply with regulations related to information contained on our information technology networks and systems, our financial condition, results of operations and stock price may be materially and adversely affected, and we could experience delays in reporting our financial results. In addition, there is a risk of business interruption, litigation with third parties, reputational damage from leakage of confidential information or the software we sell being compromised, and increased cybersecurity protection and

remediation costs due to the increasing sophistication and proliferation of threats. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

To address risks to our information technology systems, we continue to invest in our systems and training of company personnel. As required, we replace and/or upgrade financial, human resources and other information technology systems. These activities subject us to inherent costs and risks associated with replacing and updating these systems, including potential disruption of our internal control structure, substantial capital expenditures, demands on management time and other risks of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. Our systems implementations and upgrades may not result in productivity improvements at the levels anticipated, or at all. In addition, the implementation of new technology systems may cause disruptions in our business operations. Such disruption and any other information technology system disruptions, and our ability to mitigate those disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on our financial condition, results of operations and stock price.

Privacy and information security laws are complex, and if we fail to comply with applicable laws, regulations and standards, or if we fail to properly maintain the integrity of our data, protect our proprietary rights to our systems or defend against cybersecurity attacks, we may be subject to government or private actions due to privacy and security breaches, any of which could have a material adverse effect on our business, financial condition and results of operations or materially harm our reputation.

We are subject to a variety of laws and regulations in the United States and other countries that involve matters central to our business, including user privacy, security, rights of publicity, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, taxation, and online-payment services. These laws can be particularly restrictive in countries outside the United States. Both in the United States and abroad, these laws and regulations constantly evolve and remain subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate. Because we store, process, and use data, some of which contains personal information, we are subject to complex and evolving federal, state, and foreign laws and regulations regarding privacy, data protection, content, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in investigations, claims, changes to our business practices, increased cost of operations, and declines in user growth, retention, or engagement, any of which could seriously harm our business.

Several proposals have been adopted or are currently pending before federal, state, and foreign legislative and regulatory bodies that could significantly affect our business. The General Data Protection Regulation, or GDPR, in the European Union, which went into effect on May 25, 2018, placed new data protection obligations and restrictions on organizations and may require us to further change our policies and procedures. If we are not compliant with GDPR requirements, we may be subject to significant fines and our business may be seriously harmed. In addition, the California Consumer Privacy Act went into effect in January 2020, with a lookback to January 2019, and placed additional requirements on the handling of personal data.

We rely on intellectual property law and confidentiality agreements to protect our intellectual property. We also rely on intellectual property we license from third parties. Our failure to protect our intellectual property rights, or our inability to obtain or renew licenses to use intellectual property of third parties, could adversely affect our business.

Our success depends, in part, on our ability to protect our proprietary information and other intellectual property. Our intellectual property could be stolen, challenged, invalidated, circumvented or rendered unenforceable. In addition, effective intellectual property protection may be limited or unavailable in some foreign countries where we operate.

Our failure to protect our intellectual property rights may result in the loss of valuable technologies or adversely affect our competitive business position. We rely significantly on proprietary technology, information, processes and know-how that are not subject to patent or copyright protection. We seek to protect this information through trade secret or confidentiality agreements with our employees, consultants, subcontractors or other parties, as well as through other security measures. These agreements and security measures may be inadequate to deter or prevent misappropriation of our confidential information. In the event of an infringement of our intellectual property rights, a breach of a confidentiality agreement or divulgence of proprietary information, we may not have adequate legal remedies to protect our intellectual property. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management's attention away from other aspects of our business. In addition, our trade secrets may otherwise become known or be independently developed by competitors.

In some instances, we have augmented our technology base by licensing the proprietary intellectual property of third parties. In the future, we may not be able to obtain necessary licenses on commercially reasonable terms, which could have a material adverse effect on our operations.

Risks Related to Government Regulation

We are subject to government regulations that may adversely affect our future operations.

Many aspects of our operations and properties are affected by political developments and are subject to both domestic and foreign governmental regulations, including those relating to:

- constructing and manufacturing power generation products;
- currency conversions and repatriation;
- clean air and other environmental protection legislation;
- taxation of foreign earnings;
- tariffs, duties, or trade sanctions and other trade barriers imposed by foreign countries that restrict or prohibit business transactions in certain markets;
- changes in applicable laws or policies;
- transactions in or with foreign countries or officials; and
- use of local employees and suppliers.

In addition, a substantial portion of the demand for our products and services is from electric power generating companies and other steam-using customers. The demand for power generation products and services can be influenced by governmental legislation setting requirements for utilities related to operations, emissions and environmental impacts. The legislative process is unpredictable and includes a platform that continuously seeks to increase the restrictions on power producers. Potential legislation limiting emissions from power plants, including carbon dioxide, could affect our markets and the demand for our products and services related to power generation.

We cannot determine the extent to which our future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

Our business and our customers' businesses are required to obtain, and to comply with, national, state and local government permits and approvals.

Our business and our customers' businesses are required to obtain, and to comply with, national, state and local government permits and approvals. Any of these permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals may adversely affect our operations by temporarily suspending our activities or curtailing our work and may subject us to penalties and other sanctions. Although existing licenses are routinely renewed by various regulators, renewal could be denied or jeopardized by various factors, including, but not limited to:

- failure to comply with environmental and safety laws and regulations or permit conditions;
- local community, political or other opposition;
- executive action; and
- legislative action.

In addition, if new environmental legislation or regulations are enacted or implemented, or existing laws or regulations are amended or are interpreted or enforced differently, we or our customers may be required to obtain additional operating permits or approvals. Our inability or our customers' inability to obtain, and to comply with, the permits and approvals required for our business could have a material adverse effect on us.

Risks Related to Environmental Regulation

Our operations are subject to various environmental laws and legislation that may become more stringent in the future.

Our operations and properties are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and

the health and safety of employees. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Some environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, companies may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose us to liability for the conduct of or conditions caused by others or for our acts that were in compliance with all applicable laws at the time such acts were performed.

We cannot predict all of the environmental requirements or circumstances that will exist in the future but anticipate that environmental control and protection standards will become increasingly stringent and costly. Based on our experience to date, we do not currently anticipate any material adverse effect on our business or financial condition as a result of future compliance with existing environmental laws and regulations. However, future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies or stricter or different interpretations of existing laws and regulations, may require additional expenditures by us, which may be material. Accordingly, we can provide no assurance that we will not incur significant environmental compliance costs in the future.

Our operations involve the handling, transportation and disposal of hazardous materials, and environmental laws and regulations and civil liability for contamination of the environment or related personal injuries may result in increases in our operating costs and capital expenditures and decreases in our earnings and cash flows.

Our operations involve the handling, transportation and disposal of hazardous materials. Failure to properly handle these materials could pose a health risk to humans or wildlife and could cause personal injury and property damage (including environmental contamination). If an accident were to occur, its severity could be significantly affected by the volume of the materials and the speed of corrective action taken by emergency response personnel, as well as other factors beyond our control, such as weather and wind conditions. Actions taken in response to an accident could result in significant costs.

Governmental requirements relating to the protection of the environment, including solid waste management, air quality, water quality and cleanup of contaminated sites, have in the past had a substantial impact on our operations. These requirements are complex and subject to frequent change. In some cases, they can impose liability for the entire cost of cleanup on any responsible party without regard to negligence or fault and impose liability on us for the conduct of others or conditions others have caused, or for our acts that complied with all applicable requirements when we performed them. Our compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements or the future discovery of contamination may require us to make material expenditures or subject us to liabilities that we currently do not anticipate. Such expenditures and liabilities may adversely affect our business, financial condition, results of operations and cash flows. In addition, some of our operations and the operations of predecessor owners of some of our properties have exposed us to civil claims by third parties for liability resulting from alleged contamination of the environment or personal injuries caused by releases of hazardous substances into the environment.

In our contracts, we seek to protect ourselves from liability associated with accidents, but there can be no assurance that such contractual limitations on liability will be effective in all cases or that our or our customers' insurance will cover all the liabilities we have assumed under those contracts. The costs of defending against a claim arising out of a contamination incident or precautionary evacuation, and any damages awarded as a result of such a claim, could adversely affect our results of operations and financial condition.

We maintain insurance coverage as part of our overall risk management strategy and due to requirements to maintain specific coverage in our financing agreements and in many of our contracts. These policies do not protect us against all liabilities associated with accidents or for unrelated claims. In addition, comparable insurance may not continue to be available to us in the future at acceptable prices, or at all.

Risks Related to Our International Operations

We could be adversely affected by violations of the United States Foreign Corrupt Practices Act, the UK Anti-Bribery Act or other anti-bribery laws.

The United States Foreign Corrupt Practices Act (the "FCPA") generally prohibits companies and their intermediaries from making improper payments to non-United States government officials. Our training program, audit process and policies mandate compliance with the FCPA, the UK Anti-Bribery Act (the "UK Act") and other anti-bribery laws. We operate in some parts of the world that have experienced governmental corruption to some degree, and, in some circumstances, strict

compliance with anti-bribery laws may conflict with local customs and practices. If we are found to be liable for violations of the FCPA, the UK Act or other anti-bribery laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others, including agents, promoters or employees of our joint ventures), we could suffer from civil and criminal penalties or other sanctions.

Our international operations are subject to political, economic and other uncertainties not generally encountered in our domestic operations.

We derive a substantial portion of our revenues from international operations, and we intend to continue to expand our international presence and customer base as part of our growth strategy. Our revenues from sales to customers located outside of the United States represented approximately 45% and 46% of total revenues for the years ended December 31, 2020 and 2019, respectively. Operating in international markets requires significant resources and management attention and subjects us to political, economic and regulatory risks that are not generally encountered in our United States operations. These include, but are not limited to:

- risks of war, terrorism and civil unrest;
- expropriation, confiscation or nationalization of our assets;
- renegotiation or nullification of our existing contracts;
- changing political conditions and changing laws and policies affecting trade and investment;
- overlap of different tax structures;
- risk of changes in foreign currency exchange rates; and
- tariffs, price controls and trade agreements and disputes.

Various foreign jurisdictions have laws limiting the right and ability of foreign subsidiaries and joint ventures to pay dividends and remit earnings to affiliated companies. Our international operations sometimes face the additional risks of fluctuating currency values, hard currency shortages and controls of foreign currency exchange. If we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. These and other factors may have a material impact on our international operations or our business as a whole.

International uncertainties and fluctuations in the value of foreign currencies could harm our profitability.

We have international operations primarily in Europe, Canada, Mexico and China. For the year ended December 31, 2020, international operations accounted for approximately 45% of our total revenues. Our significant international subsidiaries may have sales and cost of sales in different currencies as well as other transactions that are denominated in currencies other than their functional currency. We do not currently engage in currency hedging activities to limit the risks of currency fluctuations. Consequently, fluctuations in foreign currencies could have a negative impact on the profitability of our global operations, which would harm our financial results and cash flows.

Risks Related to Ownership of Our Common Stock

The market price and trading volume of our common stock may be volatile.

The market price of our common stock could fluctuate significantly in future periods due to a number of factors, many of which are beyond our control, including, but not limited to:

- fluctuations in our quarterly or annual earnings or those of other companies in our industry;
- failures of our operating results to meet the estimates of securities analysts or the expectations of our shareholders or changes by securities analysts in their estimates of our future earnings;
- announcements by us or our customers, suppliers or competitors;
- the depth and liquidity of the market for our common stock;
- changes in laws or regulations that adversely affect our industry or us;
- changes in accounting standards, policies, guidance, interpretations or principles;
- general economic, industry and stock market conditions;
- future sales of our common stock by our shareholders;
- the concentration of ownership of our common stock;
- future issuances of our common stock by us;
- our ability to pay dividends in the future; and
- the other risk factors set forth under Part I, Item 1A and other parts of this Annual Report.

Substantial sales, or the perception of sales, of our common stock by us or certain of our existing shareholders could cause our stock price to decline and future issuances may dilute our common shareholders' ownership in the Company.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. As of December 31, 2020, we had an aggregate of approximately 54.5 million shares of common stock outstanding, approximately 27.3 million shares of which were held by B. Riley and Vintage Capital Management, LLC ("Vintage"), not including approximately 1.7 million shares of our common stock issuable upon exercise of the warrants held by B. Riley. We entered into a registration rights agreement with B. Riley and Vintage on April 30, 2019, pursuant to which B. Riley and Vintage have customary demand and piggyback registration rights for all shares of our common stock they beneficially own. We filed a resale shelf registration statement on behalf of the shareholders party to the registration rights agreement permitting the resale of approximately 25.6 million shares of our common stock that were issued to B. Riley, Vintage and the other shareholders party thereto. We are also required to register for resale any additional shares of our common stock that B. Riley and Vintage may acquire in the future, including as part of any refinancing of our A&R Credit Agreement.

Any sales of substantial amounts of our common stock, or the perception that these sales might occur, could lower the market price of our common stock and impede our ability to raise capital through the issuance of equity securities. Any sales, or perception of sales, by our existing shareholders could also impact the perception of shareholder support for us, which could in turn negatively affect our customer and supplier relationships. Further, if we were to issue additional equity securities (or securities convertible into or exchangeable or exercisable for equity securities) to raise additional capital, our shareholders' ownership interests in the Company will be diluted and the value of our common stock may be reduced.

B. Riley and Vintage each have significant influence over us.

As of December 31, 2020 B. Riley and Vintage together control approximately 52.2% of the voting power represented by our common stock. Each of B. Riley and Vintage have the right to nominate three members of our board of directors pursuant to the investor rights agreement we entered into with them on April 30, 2019. The investor rights agreement also provides pre-emptive rights to B. Riley with respect to certain future issuances of our equity securities. The services of our Chief Executive Officer are provided to us by B. Riley pursuant to a consulting agreement, and B. Riley currently holds all of our outstanding Last Out Term Loans issued under our A&R Credit Agreement. If either B. Riley participate as investors in the refinancing of our A&R Credit Agreement, their respective ownership of our common stock, debt or other securities may further increase. As a result of these arrangements, each of B. Riley and Vintage have significant influence over our management and policies and over all matters requiring shareholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions. Further, if B. Riley and Vintage were to act together on any matter presented for shareholder approval, they would have the ability to control the outcome of that matter. Each of B. Riley and Vintage can take actions that have the effect of delaying or preventing a change of control of us or discouraging others from making tender offers for our shares, which could prevent shareholders from receiving a premium for their shares. These actions may be taken even if other shareholders oppose them. In addition, the concentration of voting power with B. Riley and Vintage may have an adverse effect on the price of our common stock, and the interests of either B. Riley or Vintage may not be consistent with the interests of our other shareholders.

We are a "smaller reporting company" and, as a result of the scaled disclosure requirements applicable to us, our common stock may be less attractive to investors. Depending on our public float on June 30, 2021, we may cease to qualify as a smaller reporting company and may become an "accelerated filer or "large accelerated filer", which could increase our disclosure and compliance requirements.

We are currently a "smaller reporting company" as defined under Exchange Act. As a smaller reporting company, we are subject to scaled disclosure requirements in our periodic reports and proxy statements, including around executive compensation arrangements. We intend to take advantage of certain of the scaled disclosure requirements available for smaller reporting companies, and we may continue to take advantage of these or additional scaled disclosure requirements until we no longer qualify as a smaller reporting company. As a result, the information we provide to investors may be different than that provided by other public companies. We cannot predict whether investors will find our common stock less attractive as a result of our taking advantage of these scaled disclosure requirements. If investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may decline or may be more volatile.

Depending on our public float as of June 30, 2021, we may cease to qualify as a smaller reporting company and become an “accelerated filer” or “large accelerated filer” as defined in the Exchange Act as of December 31, 2021. If we cease to qualify as a smaller reporting company as of June 30, 2021, we would not be required to reflect the change in our smaller reporting company status, and comply with the associated increased disclosure obligations until our first quarterly report in our next fiscal year (i.e., the quarterly report for the three-month period ended March 31, 2022).

If we do not qualify as a smaller reporting company and become an accelerated filer or large accelerated filer, we will become subject to certain disclosure and compliance requirements that apply to other public companies but did not previously apply to us. These requirements include, but are not limited to, the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002, compliance with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, the requirement that we provide full and more detailed disclosures regarding executive compensation, the requirement that we hold a non-binding advisory vote on executive compensation and obtain stockholder approval of any golden parachute payments not previously approved, and reduction in the amount of time for filing our periodic and annual reports.

We expect that compliance with the additional disclosure and compliance requirements would increase our legal and financial compliance costs and could cause management and other personnel to divert attention from operational and other business matters to devote time to public company reporting requirements. In addition, if we are not able to comply with changing requirements in a timely manner, the market price of our stock could decline and we could be subject to sanctions or investigations by the stock exchange on which our common stock is listed, the SEC, or other regulatory authorities, which would require additional financial and management resources.

We do not currently pay regular dividends on our common stock, so holders of our common stock may not receive funds without selling their shares of our common stock.

We have no current intent to pay a regular dividend, and dividend payments are restricted by our lending agreements. Our board of directors will determine the payment of future dividends on our common stock, if any, and the amount of any dividends in light of applicable law, contractual restrictions limiting our ability to pay dividends, our earnings and cash flows, our capital requirements, our financial condition, and other factors our board of directors deems relevant. Accordingly, our shareholders may have to sell some or all of their shares of our common stock in order to generate cash flow from their investment.

Provisions in our corporate documents and Delaware law could delay or prevent a change in control of the Company, even if that change may be considered beneficial by some shareholders.

The existence of some provisions of our certificate of incorporation and bylaws and Delaware law could discourage, delay or prevent a change in control of the Company that a shareholder may consider favorable.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for shares of our common stock.

We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal and are not intended to make the Company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is in the best interests of the Company and our shareholders.

We may issue preferred stock that could dilute the voting power or reduce the value of our common stock.

Our certificate of incorporation authorizes us to issue, without the approval of our shareholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock respecting dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant holders of preferred stock the right to elect some number of our directors in

all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of the common stock.

Risks Relating to our 2015 Spin-Off from our Former Parent

We are subject to continuing contingent liabilities of BWXT following the spin-off.

We completed a spin-off from The Babcock & Wilcox Company (now known as BWX Technologies, Inc., or "BWXT"), on June 30, 2015 to become a separate publicly traded company, and BWXT did not retain any ownership interest in the Company. As a result of the spin-off, there are several significant areas where the liabilities of BWXT may become our obligations. For example, under the Internal Revenue Code ("Code") and the related rules and regulations, each corporation that was a member of BWXT consolidated tax reporting group during any taxable period or portion of any taxable period ending on or before the completion of the spin-off is jointly and severally liable for the federal income tax liability of the entire consolidated tax reporting group for that taxable period. We entered into a tax sharing agreement with BWXT in connection with the spin-off that allocates the responsibility for prior period taxes of BWXT consolidated tax reporting group between us and BWXT and its subsidiaries. However, if BWXT were unable to pay, we could be required to pay the entire amount of such taxes. Other provisions of law establish similar liability for other matters, including laws governing tax-qualified pension plans as well as other contingent liabilities. The other contingent liabilities include personal injury claims or environmental liabilities related to BWXT's historical nuclear operations. For example, BWXT has agreed to indemnify us for personal injury claims and environmental liabilities associated with radioactive materials related to the operation, remediation, and/or decommissioning of two former nuclear fuel processing facilities located in the Borough of Apollo and Parks Township, Pennsylvania. To the extent insurance providers and third-party indemnitors do not cover those liabilities, and BWXT was unable to pay, we could be required to pay for them.

The spin-off could result in substantial tax liability.

The spin-off was conditioned on BWXT's receipt of an opinion of counsel, in form and substance satisfactory to BWXT, substantially to the effect that, for United States federal income tax purposes, the spin-off qualifies under Section 355 of the Code, and certain transactions related to the spin-off qualify under Sections 355 and/or 368 of the Code. The opinion relied on, among other things, various assumptions and representations as to factual matters made by BWXT and us which, if inaccurate or incomplete in any material respect, would jeopardize the conclusions reached by such counsel in its opinion. The opinion is not binding on the IRS or the courts, and there can be no assurance that the IRS or the courts will not challenge the conclusions stated in the opinion or that any such challenge would not prevail.

We are not aware of any facts or circumstances that would cause the assumptions or representations that were relied on in the opinion to be inaccurate or incomplete in any material respect. If, notwithstanding receipt of the opinion, the spin-off was determined not to qualify under Section 355 of the Code, each United States holder of BWXT common stock who received shares of our common stock in the spin-off would generally be treated as receiving a taxable distribution of property in an amount equal to the fair market value of the shares of our common stock received. In addition, if certain related preparatory transactions were to fail to qualify for tax-free treatment, they would be treated as taxable asset sales and/or distributions.

Under the terms of the tax sharing agreement we entered into in connection with the spin-off, we are generally responsible for all taxes attributable to us or any of our subsidiaries, whether accruing before, on or after the date of the spin-off. We and BWXT generally share responsibility for all taxes imposed on us or BWXT and its subsidiaries in the event the spin-off and/or certain related preparatory transactions were to fail to qualify for tax-free treatment. However, if the spin-off and/or certain related preparatory transactions were to fail to qualify for tax-free treatment because of actions or failures to act by us or BWXT, we or BWXT, respectively would be responsible for all such taxes. Our liabilities under the tax sharing agreement could have a material adverse effect on us. At this time, we cannot precisely quantify the amount of liabilities we may have under the tax sharing agreement and there can be no assurances as to their final amounts.

Under some circumstances, we could be liable for any resulting adverse tax consequences from engaging in certain significant strategic or capital raising transactions.

Even if the spin-off otherwise qualifies as a tax-free distribution under Section 355 of the Code, the spin-off and certain related transactions may result in significant United States federal income tax liabilities to us under Section 355(e) and other applicable provisions of the Code if 50% or more of BWXT's stock or our stock (in each case, by vote or value) is treated as

having been acquired, directly or indirectly, by one or more persons as part of a plan (or series of related transactions) that includes the spin-off. The process for determining whether an acquisition triggering those provisions has occurred is complex, inherently factual and subject to interpretation of the facts and circumstances of a particular case.

Under the terms of the tax sharing agreement we entered into in connection with the spin-off, BWXT generally is liable for any such tax liabilities. However, we are required to indemnify BWXT against any such tax liabilities that result from actions taken or failures to act by us. As a result of these rules and contractual provisions, we may be unable to engage in certain strategic or capital raising transactions that our shareholders might consider favorable, or to structure potential transactions in the manner most favorable to us, without certain adverse tax consequences.

Potential indemnification liabilities to BWXT pursuant to the master separation agreement could materially adversely affect the Company.

The master separation agreement with BWXT provides for, among other things, the principal corporate transactions required to effect the spin-off, certain conditions to the spin-off and provisions governing the relationship between us and BWXT with respect to and resulting from the spin-off. Among other things, the master separation agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to our business activities, whether incurred prior to or after the spin-off, as well as those obligations of BWXT assumed by us pursuant to the master separation agreement. If we are required to indemnify BWXT under the circumstances set forth in the master separation agreement, we may be subject to substantial liabilities.

In connection with our separation from BWXT, BWXT has agreed to indemnify us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that BWXT's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the master separation agreement, BWXT has agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that BWXT agreed to retain, and there can be no assurance that the indemnity from BWXT will be sufficient to protect us against the full amount of such liabilities, or that BWXT will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from BWXT any amounts for which we are held liable, we may be temporarily required to bear these losses.

General Risk Factors

Our reported financial results may be adversely affected by new accounting pronouncements or changes in existing accounting standards and practices, which could result in volatility in our results of operations.

We prepare our financial statements in conformity with accounting principles generally accepted in the U.S. These accounting principles are subject to interpretation or changes by the FASB and the SEC. New accounting pronouncements and varying interpretations of accounting standards and practices have occurred in the past and are expected to occur in the future. New accounting pronouncements or a change in the interpretation of existing accounting standards or practices may have a significant effect on our reported financial results and may even affect our reporting of transactions completed before the change is announced or effective.

Any difficulties in adopting or implementing any new accounting standard could result in our failure to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us. Finally, if we were to change our critical accounting estimates, our operating results could be significantly affected.

We could be subject to changes in tax rates or tax law, adoption of new regulations, changing interpretations of existing law or exposure to additional tax liabilities in excess of accrued amounts that could adversely affect our financial position.

We are subject to income taxes in the United States and numerous foreign jurisdictions. A change in tax laws, treaties or regulations, or in their interpretation, in any country in which we operate could result in a higher tax rate on our earnings, which could have a material impact on our earnings and cash flows from operations. Tax reform legislation enacted in December of 2017 has made substantial changes to United States tax law, including a reduction in the corporate tax rate, a limitation on deductibility of interest expense, a limitation on the use of net operating losses to offset future taxable income, the allowance of immediate expensing of capital expenditures and the transition of U.S. international taxation from a worldwide tax system to a more generally territorial system, and a one-time transition tax on the mandatory deemed

repatriation of foreign earnings. Generally, future changes in applicable U.S. or foreign tax laws and regulations, or their interpretation and application could have an adverse effect on our business, financial conditions and results of operations.

Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain, and we are regularly subject to audit by tax authorities. Although we believe that our tax estimates and tax positions are reasonable, they could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations and related interpretations, our global mix of earnings, the ability to realize deferred tax assets and changes in uncertain tax positions. A significant increase in our tax rate could have a material adverse effect on our profitability and liquidity.

Our ability to use net operating losses (“NOLs”) and certain tax credits to reduce future tax payments could be further limited if we experience an additional “ownership change”.

Some or all of the Company's deferred tax assets, consisting primarily of NOLs and interest carryforwards that are not currently deductible for tax purposes, could expire unused if we are unable to generate sufficient taxable income in the future to take advantage of them or if we enter into transactions that limit our right to use them, which includes transactions that result in an “ownership change” under Section 382 of the Code.

Sections 382 and 383 of the Code limits for U.S. federal income tax purposes, the annual use of NOL carryforwards (including previously disallowed interest carryforwards) and tax credit carryforwards, respectively, following an ownership change. Under Section 382 of the Code, a company has undergone an ownership change if shareholders owning at least 5% of the company have increased their collective holdings by more than 50% during the prior three-year period. Based on information that is publicly available, the Company determined that a Section 382 ownership change occurred on July 23, 2019 as a result of the Equitization Transactions. If the Company experiences subsequent ownership changes, certain NOL carryforwards (including previously disallowed interest carryforwards) may be subject to more than one section 382 limitation.

The loss of the services of one or more of our key personnel, or our failure to attract, recruit, motivate, and retain qualified personnel in the future, could disrupt our business and harm our results of operations.

We depend on the skills, working relationships, and continued services of key personnel, including our management team and others throughout our organization. We are also dependent on our ability to attract and retain qualified personnel, for whom we compete with other companies both inside and outside our industry. Our business, financial condition or results of operations may be adversely impacted by the unexpected loss of any of our management team or other key personnel, or more generally if we fail to attract, recruit, motivate and retain qualified personnel.

Negotiations with labor unions and possible work stoppages and other labor problems could divert management's attention and disrupt operations. In addition, new collective bargaining agreements or amendments to existing agreements could increase our labor costs and operating expenses.

A significant number of our employees are members of labor unions. If we are unable to negotiate acceptable new contracts with our unions from time to time, we could experience strikes or other work stoppages by the affected employees. If any such strikes, protests or other work stoppages were to occur, we could experience a significant disruption of operations. In addition, negotiations with unions could divert management's attention. New union contracts could result in increased operating costs, as a result of higher wages or benefit expenses, for both union and nonunion employees. If nonunion employees were to unionize, we could experience higher ongoing labor costs.

Pension and medical expenses associated with our retirement benefit plans may fluctuate significantly depending on a number of factors, and we may be required to contribute cash to meet underfunded pension obligations.

A substantial portion of our current and retired employee population is covered by pension and postretirement benefit plans, the costs and funding requirements of which depend on our various assumptions, including estimates of rates of return on benefit-related assets, discount rates for future payment obligations, rates of future cost growth, mortality assumptions and trends for future costs. Variances from these estimates could have a material adverse effect on us. Our policy to recognize these variances annually through mark to market accounting could result in volatility in our results of operations, which could be material. The funding obligations for the Company's pension plans are impacted by the performance of the financial

markets, particularly the equity markets, and interest rates. If the financial markets do not provide the long-term returns that are expected, or discount rates increase the present value of liabilities, the Company could be required to make larger contributions.

As of December 31, 2020, our defined benefit pension and postretirement benefit plans were underfunded by approximately \$248.2 million. In addition, certain of these postretirement benefit plans were collectively bargained, and our ability to curtail or change the benefits provided may be impacted by contractual provisions set forth in the relevant union agreements and other plan documents. We also participate in various multi-employer pension plans in the United States and Canada under union and industry agreements that generally provide defined benefits to employees covered by collective bargaining agreements. Absent an applicable exemption, a contributor to a United States multi-employer plan is liable, upon termination or withdrawal from a plan, for its proportionate share of the plan's underfunded vested liability. Funding requirements for benefit obligations of these multi-employer pension plans are subject to certain regulatory requirements, and we may be required to make cash contributions which may be material to one or more of these plans to satisfy certain underfunded benefit obligations. See Note 13 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for additional information regarding our pension and postretirement benefit plan obligations.

Natural disasters or other events beyond our control, such as war, armed conflicts or terrorist attacks could adversely affect our business.

Matters outside of our control could adversely affect demand for or supply of our products or disrupt our facilities, systems or projects, which could interrupt operational processes and performance on our contracts and adversely impact our ability to manufacture our products and provide services and support to our customers. Insurance for such matters may be unavailable or insufficient. Such matters could include natural disasters, such as earthquakes, tsunamis, hurricanes, floods, tornadoes, war, armed conflicts, or terrorist attacks, among others. We operate facilities in areas of the world that are exposed to such risks, which could be general in nature or targeted at us or our markets.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following table provides the primary segment, location and general use of each of our principal properties that we own or lease at December 31, 2020.

Business Segment and Location	Principal Use	Owned/Leased (Lease Expiration)
<i>B&W Renewable segment</i>		
Copenhagen, Denmark	Administrative office	Leased (2021)
Esbjerg, Denmark	Manufacturing facility / administrative office	Owned
<i>B&W Environmental segment</i>		
Paruzzaro Italy	Administrative offices	Leased (2024)
Ding Xiang, Xin Zhou, Shan Xi, China	Manufacturing facility	Leased (2023)
<i>B&W Thermal segment</i>		
Akron, Ohio	Administrative offices	Leased (2034)
Lancaster, Ohio	Manufacturing facility	Owned ⁽¹⁾
Copley, Ohio	Warehouse / service center	Owned ⁽¹⁾
Dumbarton, Scotland	Manufacturing facility	Owned
Guadalupe, NL, Mexico	Manufacturing facility	Leased (2024)
Cambridge, Ontario, Canada	Administrative office / warehouse	Leased (2024)
Jingshan, Hubei, China	Manufacturing facility	Owned

⁽¹⁾These properties are encumbered by liens under existing credit facilities.

We believe that our major properties are adequate for our present needs and, as supplemented by planned improvements and construction, expect them to remain adequate for the foreseeable future.

Item 3. Legal Proceedings

For information regarding ongoing investigations and litigation, see Note 19 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, which we incorporate by reference into this Item.

PART II

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

Our common stock is traded on the New York Stock Exchange under the symbol BW.

As of January 31, 2021, there were approximately 1,000 record holders of our common stock prior to the completion of the common stock offering on February 12, 2020, as described in Note 25 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

In accordance with the provisions of the employee benefit plans, the Company acquired the following shares in connection with the vesting of employee restricted stock that require us to withhold shares to satisfy employee statutory income tax withholding obligations. The following table identifies the number of common shares and average purchase price per share for each month during the quarter ended December 31, 2020. The Company does not have a general share repurchase program at this time.

(data in whole amounts)

Period	Total number of shares acquired ⁽¹⁾	Average price per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
October 2020	1,832	\$ 2.62	—	\$ —
November 2020	—	\$ —	—	\$ —
December 2020	—	\$ —	—	\$ —
Total	1,832	\$ —	—	\$ —

⁽¹⁾ Repurchased shares are recorded in treasury stock in our Consolidated Balance Sheets included in Part II, Item 8 of this Annual Report.

Item 6. Selected Financial Data

We are currently a smaller reporting company as defined by Item 10(f)(1) of Regulation S-K and are not required to provide the information required by this item.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto included in Financial Statements under Item 1 within this Annual Report. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See Cautionary Statement Concerning Forward-Looking Information.

BUSINESS OVERVIEW

B&W is a growing, globally-focused renewable, environmental and thermal technologies provider with decades of experience providing diversified energy and emissions control solutions to a broad range of industrial, electrical utility, municipal and other customers. B&W's innovative products and services are organized into three market-facing segments which changed in the third quarter of 2020 as part of the Company's strategic, market-focused organizational and re-branding initiative to accelerate growth and provide stakeholders improved visibility into our renewable and environmental growth

platforms. Segment results for all periods have been restated for comparative purposes. Our reportable segments are as follows:

- **Babcock & Wilcox Renewable:** Cost-effective technologies for efficient and environmentally sustainable power and heat generation, including waste-to-energy, biomass energy and black liquor systems for the pulp and paper industry. B&W's leading technologies support a circular economy, diverting waste from landfills to use for power generation and replacing fossil fuels, while recovering metals and reducing emissions.
- **Babcock & Wilcox Environmental:** A full suite of best-in-class emissions control and environmental technology solutions for utility, waste to energy, biomass, carbon black, and industrial steam generation applications around the world. B&W's broad experience includes systems for cooling, ash handling, particulate control, nitrogen oxides and sulfur dioxides removal, chemical looping for carbon control, and mercury control.
- **Babcock & Wilcox Thermal:** Steam generation equipment, aftermarket parts, construction, maintenance and field services for plants in the power generation, oil and gas, and industrial sectors. B&W has an extensive global base of installed equipment for utilities and general industrial applications including refining, petrochemical, food processing, metals and others.

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China and has subsequently spread globally. This global pandemic has disrupted business operations, trade, commerce, financial and credit markets, and daily life throughout the world. Our business has been, and continues to be, adversely impacted by the measures taken and restrictions imposed in the countries in which we operate and by local governments and others to control the spread of this virus. These measures and restrictions have varied widely and have been subject to significant changes from time to time depending on the changes in the severity of the virus in these countries and localities. These restrictions, including travel and curtailment of other activity, negatively impact our ability to conduct business. The volatility and variability of the virus has limited our ability to forecast the impact of the virus on our customers and our business. The continuing resurgence of COVID-19, including at least one new strain thereof, has resulted in the reimposition of certain restrictions and may lead to other restrictions being implemented in response to efforts to reduce the spread of the virus. These varying and changing events have caused many of the projects we had anticipated would begin in 2020 to be delayed into 2021 and beyond. Many customers and projects require B&W's employees to travel to customer and project worksites. Certain customers and significant projects are located in areas where travel restrictions have been imposed, certain customers have closed or reduced on-site activities, and timelines for completion of certain projects have, as noted above, been extended into 2021 and beyond. Additionally, out of concern for our employees, even where restrictions permit employees to return to our offices and worksites, we have incurred additional costs to protect our employees as well as, advising those who are uncomfortable returning to worksites due to the pandemic that they are not required to do so for an indefinite period of time. The resulting uncertainty concerning, among other things, the spread and economic impact of the virus has also caused significant volatility and, at times, illiquidity in global equity and credit markets. The full extent of the COVID-19 impact on our operational and financial performance will depend on future developments, including the ultimate duration and spread of the pandemic and related actions taken by the U.S. government, state and local government officials, and international governments to prevent disease spread, as well as the availability and effectiveness of COVID-19 vaccinations in the U.S. and abroad, all of which are uncertain, out of our control, and cannot be predicted.

Our operating results for 2020 have been negatively impacted by the COVID-19 pandemic as previously described on pages 7 and 8. Because the majority of our revenues are driven by projects, we cannot reasonably estimate the amount of the decreases in our operating results directly caused by COVID-19. We have experienced adverse impacts on our 2020 revenues due to delays in closing new business deals, deferrals or delays in starting new projects, and other product volume decreases due to COVID-19 in 2020 caused by the following, among other reasons:

- Customers' concern regarding the duration and magnitude of COVID-19;
- Customers' hesitance to place large orders;
- Certain planned 2020 projects being delayed into 2021 and beyond;
- Field service personnel unable to get to certain site projects;
- Travel restrictions impeding our ability to acquire new customers; and
- International growth plans hindered by recruitment, training & deployment of new field personnel.

We have manufacturing facilities in the United States, Mexico, Denmark, Scotland and China. Many aspects of our operations and properties could be affected by political developments, environmental regulations and operating risks. These and other factors may have a material impact on our international and domestic operations or our business as a whole.

Through our restructuring efforts, we continue to make progress to make our cost structure more variable and to reduce costs. We expect our cost-saving measures to continue to translate to bottom-line results, with top-line growth driven by opportunities for our core technologies and support services across the B&W Renewable, B&W Environmental, and B&W Thermal segments globally. While we anticipate quarterly variability and cyclicity typical of our industry, we expect to continue to show improvement in 2021 as compared to 2020.

We expect to continue to explore other cost-saving initiatives to improve cash generation and evaluate additional non-core asset sales to continue to strengthen our liquidity. There are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate.

Our operating loss improved to a loss of \$1.7 million for the year ended December 31, 2020 as compared to a loss of \$29.4 million for the year ended December 31, 2019. Year-over-year comparisons of our results from continuing operations were affected by:

- On October 10, 2020, we entered into a settlement agreement with an insurer in connection with five of the six European B&W Renewable EPC loss contracts. In connection with the insured losses recognized in prior years, we recognized a loss recovery of \$26.0 million as a reduction of our Cost of operations in our Consolidated Statements of Operations included in Item 8 of this Annual Report. On October 23, 2020, we received gross proceeds of \$26.0 million, as described in Note 5 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.
- \$11.8 million and \$11.7 million of restructuring and spin-off costs were recognized in 2020 and 2019, primarily related to severance.
- \$4.4 million and \$9.1 million of financial advisory service fees were recorded in 2020 and 2019, respectively, which are required under our U.S. Revolving Credit Facility. Financial advisory service fees are included in *advisory fees and settlement costs* in the Consolidated Statement of Operations included in Item 8 of this Annual Report.
- \$6.4 million and \$11.8 million of legal and other advisory fees were recognized in 2020 and 2019, respectively, primarily related to a loss recovery settlement agreement, a contract settlement and for liquidity planning and are included in *advisory fees and settlement costs* in the Consolidated Statement of Operations included in Item 8 of this Annual Report. The settlements are further described above and in Note 5 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.
- \$(23.2) million and \$8.8 million of actuarially determined mark to market (“MTM”) (losses) gains on our pension and other post-retirement benefits in 2020 and 2019, respectively. MTM losses are further described in Note 13 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.
- \$4.9 million of accelerated depreciation expense in 2019 for fixed assets affected by our September 2018 announcement to consolidate office space and relocate our global headquarters to Akron, Ohio in December 2019.
- \$6.6 million of settlement cost was recognized in 2019 in connection with an additional European waste-to-energy EPC contract, for which notice to proceed was not given and the contract was not started and is included in *advisory fees and settlement costs* in the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report. The settlement limits our obligations to our core scope activities and eliminates risk related to acting as the prime EPC should the project have moved forward.
- \$3.6 million of loss on sale of business was recognized in 2019 for a non-core materials handling business in Germany, Loibl GmbH, as described in Note 23 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

RESULTS OF OPERATIONS

Consolidated Results of Operations

The presentation of the components of our adjusted EBITDA in the table below is consistent with the way our chief operating decision maker reviews the results of our operations and makes strategic decisions about our business. Items such as gains or losses on asset sales, MTM pension adjustments, restructuring and spin costs, impairments, losses on debt extinguishment, costs related to financial consulting required under our U.S. Revolving Credit Facility and other costs that may not be directly controllable by segment management are not allocated to the segments.

(In thousands)	Year ended December 31,		
	2020	2019	\$ Change
Revenues:			
B&W Renewable segment	\$ 156,187	\$ 205,551	\$ (49,364)
B&W Environmental segment	107,968	275,635	(167,667)
B&W Thermal segment	304,968	409,744	(104,776)
Eliminations	(2,806)	(31,819)	29,013
	\$ 566,317	\$ 859,111	\$ (292,794)

(in thousands)	Year ended December 31,		
	2020	2019	\$ Change
Adjusted EBITDA ⁽¹⁾⁽²⁾			
B&W Renewable segment	\$ 24,957	\$ 1,617	\$ 23,340
B&W Environmental segment	3,474	12,512	(9,038)
B&W Thermal segment	35,435	51,353	(15,918)
Corporate	(14,425)	(17,579)	3,154
Research and development costs	(4,379)	(2,861)	(1,518)
	\$ 45,062	\$ 45,042	\$ 20

⁽¹⁾ During the year ended December 31, 2020, we redefined our definition of adjusted EBITDA to eliminate the effects of certain items including loss from a non-strategic business, interest on letters of credit included in cost of operations and loss on business held for sale. Consequently, adjusted EBITDA in prior periods have been revised to conform with the revised definition and present separate reconciling items in our reconciliation.

⁽²⁾ Adjusted EBITDA for the year ended December 31, 2020, includes the recognition of a \$26.0 million loss recovery settlement related to certain historical EPC loss contracts in the third quarter.

Revenues decreased by \$292.8 million to \$566.3 million in 2020 as compared to \$859.1 million in 2019. Revenues for each of our segments have been adversely impacted by COVID-19, including the postponement and delay of several projects due to COVID-19. In addition to the impacts of COVID-19, revenue was also impacted by segment specific changes which are discussed in further detail in the sections below. .

Operating losses improved \$27.6 million to \$(1.7) million in 2020 from \$(29.4) million in 2019, primarily due to the insurance loss recovery of \$26.0 million and a lower level of losses on the EPC loss contracts, partially offset by the divestiture of Loibl and the impacts of COVID-19 in the B&W Renewable segment, as well as a decline in volume in the B&W Environmental and B&W Thermal segments related primarily to COVID-19. Restructuring expenses, advisory fees, amortization expense, gains (losses) on dispositions of equity method investees, and impairments are discussed in further detail in the sections below.

Non-GAAP Financial Measures

The following discussion of our business segment results of operations includes a discussion of adjusted gross profit, a non-GAAP financial measure. Adjusted gross profit differs from the most directly comparable measure calculated in accordance with generally accepted accounting principles ("GAAP"). Amortization expense is not allocated to the segments' adjusted gross profit. A reconciliation of operating income (loss), the most directly comparable GAAP measure, to adjusted gross profit is included in the table below. Management believes that this financial measure is useful to investors because it excludes certain expenses, allowing investors to more easily compare our financial performance period to period. As

previously discussed, we changed our reportable segments in 2020 and have recast prior period results to account for this change.

(in thousands)	Year ended December 31,		
	2020	2019	\$ Change
Adjusted gross profit ⁽¹⁾⁽²⁾⁽³⁾			
Operating loss	\$ (1,737)	\$ (29,382)	\$ 27,645
Selling, general and administrative (“SG&A”) expenses	141,438	150,556	(9,118)
Advisory fees and settlement costs	12,878	27,943	(15,065)
Intangible amortization expense	5,467	4,274	1,193
Restructuring activities	11,849	11,707	142
Research and development costs	4,379	2,861	1,518
Loss from a non-strategic business	2,559	5,518	(2,959)
Gain on asset disposals, net	(3,263)	(3,940)	677
Adjusted gross profit	\$ 173,570	\$ 169,537	\$ 4,033

⁽¹⁾ Intangible amortization is not allocated to the segments' adjusted gross profit, but depreciation is allocated to the segments' adjusted gross profit.

⁽²⁾ Adjusted gross profit for the years ended December 31, 2020 and December 31, 2019, excludes losses related to a non-strategic business that was previously included in Adjusted gross profit within the B&W Environmental segment and totals \$2.6 million and \$5.5 million, respectively.

⁽³⁾ Adjusted gross profit for the year ended December 31, 2020, includes the recognition of a \$26.0 million loss recovery settlement related to certain historical EPC loss contracts in the third quarter.

Adjusted gross profit by segment is as follows:

(in thousands)	Year ended December 31,		
	2020	2019	\$ Change
B&W Renewable segment	\$ 58,838	\$ 29,992	\$ 28,846
B&W Environmental segment	23,548	48,372	(24,824)
B&W Thermal segment	91,184	91,173	11
Adjusted gross profit	\$ 173,570	\$ 169,537	\$ 4,033

B&W Renewable Segment Results

(in thousands)	Year ended December 31,		
	2020	2019	\$ Change
Revenues	\$ 156,187	\$ 205,551	\$ (49,364)
Adjusted EBITDA	\$ 24,957	\$ 1,617	\$ 23,340
Adjusted gross profit	\$ 58,838	\$ 29,992	\$ 28,846
Adjusted gross profit %	37.7 %	14.6 %	

Revenues in the B&W Renewable segment decreased 24%, or \$49.4 million to \$156.2 million in 2020 compared to \$205.6 million in 2019. The reduction in revenue is due to the advanced completion of activities on the European B&W Renewable EPC loss contracts in the prior year as well as new anticipated activities being deferred due to COVID-19, partially offset by a higher level of activities on two operations and maintenance contracts in the U.K. which followed the turnover of the EPC loss contracts to the customers. Additionally, the reduction in revenue partially relates to the divestiture of Loibl, a materials handling business in Germany that generated revenues of approximately \$14.3 million in 2019.

Adjusted EBITDA in the B&W Renewable segment improved \$23.3 million to \$25.0 million in 2020 compared to \$1.6 million in 2019. The improvement is primarily due to the loss recovery of \$26.0 million recognized in 2020 under an October 10, 2020 settlement agreement with an insurer in connection with five of the six European B&W Renewable EPC loss contracts. In addition the B&W Renewable segment incurred lower costs in the current year to complete the six European

B&W Renewable EPC loss contracts which included \$3.7 million and \$6.9 million in net losses, including warranty in 2020 and 2019, respectively. The Adjusted EBITDA improvement was also partially offset by the divestiture of Loibl and lower volume, as described above.

Adjusted gross profit in the B&W Renewable segment increased \$28.8 million to \$58.8 million in 2020 compared to \$30.0 million in 2019. The improvement is primarily due to the loss recovery of \$26.0 million recognized in 2020 under an October 10, 2020 settlement agreement with an insurer in connection with five of the six European B&W Renewable EPC loss contracts and lower costs in the current year to complete the six European B&W Renewable EPC loss contracts, partially offset by lower volume.

B&W Environmental Segment Results

(In thousands)	Year ended December 31,		
	2020	2019	\$ Change
Revenues	\$ 107,968	\$ 275,635	\$ (167,667)
Adjusted EBITDA	\$ 3,474	\$ 12,512	\$ (9,038)
Adjusted gross profit	\$ 23,548	\$ 48,372	\$ (24,824)
Adjusted gross profit %	21.8 %	17.5 %	

Revenues in the B&W Environmental segment decreased 61%, or \$167.7 million, to \$108.0 million in 2020 from \$275.6 million in 2019. The decrease is primarily due to the completion of large construction projects in the prior year and a lower level of activity primarily due to the postponement of new projects by several customers as a result of COVID-19. B&W Environmental's two significant legacy loss contracts, generated revenues of \$4.1 million and \$18.8 million in 2020 and 2019, respectively.

Adjusted EBITDA in the B&W Environmental segment decreased \$9.0 million to \$3.5 million in 2020 compared to \$12.5 million in 2019. The decline is primarily attributable to the impacts of lower volume, the effects of which were partially offset by a lower percentage of overhead being allocated to the segment that were not previously allocated to other segments.

Adjusted gross profit in the B&W Environmental segment decreased \$24.8 million, to \$23.5 million in 2020, compared to \$48.4 million in 2019. The decrease is primarily attributable to the decrease in volume as described above.

B&W Thermal Segment Results

(In thousands)	Year ended December 31,		
	2020	2019	\$ Change
Revenues	\$ 304,968	\$ 409,744	\$ (104,776)
Adjusted EBITDA	\$ 35,435	\$ 51,353	\$ (15,918)
Adjusted gross profit	\$ 91,184	\$ 91,173	\$ 11
Adjusted gross profit %	29.9 %	22.3 %	

Revenues in the B&W Thermal segment decreased 26%, or \$104.8 million, to \$305.0 million in 2020 compared to \$409.7 million in 2019. The revenue decrease is attributable to the completion of large construction projects in the prior year in addition to the adverse impacts of COVID-19 resulting in lower parts, construction, package boilers and international service orders.

Adjusted EBITDA in the B&W Thermal segment decreased 31%, or \$15.9 million, to \$35.4 million in 2020 compared to \$51.4 million in 2019, primarily attributable to lower volume of project activity and a higher percentage of overhead being allocated to the segment that was previously allocated to other segments, the effects of which were partially offset by favorable product mix and a full period of cost savings and restructuring initiatives benefiting the current year.

Adjusted gross profit in the B&W Thermal segment remained flat at \$91.2 million primarily due to lower volume as described above which was offset by favorable product mix and the effects of a full period of cost savings and restructuring initiatives benefiting the current year.

Bookings and Backlog

Bookings and backlog are our measure of remaining performance obligations under our sales contracts. It is possible that our methodology for determining bookings and backlog may not be comparable to methods used by other companies.

We generally include expected revenue from contracts in our backlog when we receive written confirmation from our customers authorizing the performance of work and committing the customers to payment for work performed. Backlog may not be indicative of future operating results, and contracts in our backlog may be canceled, modified or otherwise altered by customers. Backlog can vary significantly from period to period, particularly when large new build projects or operations and maintenance contracts are booked because they may be fulfilled over multiple years. Additionally, because we operate globally, our backlog is also affected by changes in foreign currencies each period. We do not include orders of our unconsolidated joint ventures in backlog.

Bookings represent changes to the backlog. Bookings include additions from booking new business, subtractions from customer cancellations or modifications, changes in estimates of liquidated damages that affect selling price and revaluation of backlog denominated in foreign currency. We believe comparing bookings on a quarterly basis or for periods less than one year is less meaningful than for longer periods, and that shorter-term changes in bookings may not necessarily indicate a material trend.

Our bookings for the year ended December 31, 2020 and 2019 was as follows:

(In approximate millions)	Year ended December 31,	
	2020	2019
B&W Renewable ⁽¹⁾	\$ 116	\$ 42
B&W Environmental	147	152
B&W Thermal	390	343
Other/eliminations	(8)	(21)
Bookings	\$ 645	\$ 516

⁽¹⁾ B&W Renewable bookings includes the revaluation of backlog denominated in currency other than U.S. dollars. The foreign exchange impact on B&W Renewable bookings in the years ended December 31, 2020 and 2019 was \$(14.7) million and \$(3.3) million, respectively.

Our backlog as of December 31, 2020 and 2019 was as follows:

(In approximate millions)	As of December 31,	
	2020	2019
B&W Renewable ⁽¹⁾	\$ 208	\$ 226
B&W Environmental	106	81
B&W Thermal	226	140
Other/eliminations	(5)	(6)
Backlog	\$ 535	\$ 441

⁽¹⁾ B&W Renewable backlog at December 31, 2020, includes \$164.1 million related to long-term operation and maintenance contracts for renewable energy plants, with remaining durations extending until 2034. Generally, such contracts have a duration of 10-20 years and include options to extend.

Of the backlog at December 31, 2020, we expect to recognize revenues as follows:

(In approximate millions)	2021	2022	Thereafter	Total
B&W Renewable	\$ 54	\$ 22	\$ 132	\$ 208
B&W Environmental	65	12	29	106
B&W Thermal	188	35	3	226
Other/eliminations	(5)	—	—	(5)
Expected revenue from backlog	\$ 302	\$ 69	\$ 164	\$ 535

Corporate

Corporate costs include SG&A expenses that are not allocated to the reportable segments. These costs include certain executive, compliance, strategic, reporting and legal expenses associated with governance of the total organization and being an SEC registrant. Corporate costs decreased \$3.2 million to \$14.4 million in the year ended December 31, 2020 as compared to \$17.6 million in the year ended December 31, 2019, primarily due to decreased bonus costs recognized for the year ended December 31, 2020.

Advisory Fees and Settlement Costs

Advisory fees and settlement costs decreased by \$15.1 million to \$12.9 million in the year ended December 31, 2020 as compared to \$27.9 million in the year ended December 31, 2019, primarily due to settlement costs to exit the fifth B&W Renewable EPC contract in the first quarter of 2019 as described in Note 5 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report and also due to reduced use of external consultants in 2020 as the Company staffed certain positions internally.

Research and Development

Our research and development activities are related to improving our products through innovations to reduce the cost of our products to make them more competitive and through innovations to reduce performance risk of our products to better meet our and our customers' expectations. Research and development costs unrelated to specific contracts are expensed as incurred. Research and development expenses totaled \$4.4 million and \$2.9 million for the years ended December 31, 2020 and 2019, respectively. The increase resulted primarily from our strategy to support future growth.

Restructuring

Restructuring actions across our business segments and corporate functions resulted in \$11.8 million and \$11.7 million of expense in the years ended December 31, 2020 and 2019, respectively.

Depreciation and Intangible Asset Amortization

Depreciation expense was \$11.3 million and \$19.3 million in the years ended December 31, 2020 and 2019, respectively.

We recorded intangible asset amortization expense of \$5.5 million and \$4.3 million in the years ended December 31, 2020 and 2019, respectively.

In December 2019, we consolidated all of our Barberton and most of our Copley, Ohio operations into new, leased office space in Akron, Ohio and \$4.9 million of accelerated depreciation was recognized during the year ended December 31, 2019.

Pension and Other Postretirement Benefit Plans

We recognize benefits from our defined benefit and other postretirement benefit plans based on actuarial calculations primarily because our expected return on assets is greater than our service costs. Service cost is low because our plan benefits are frozen except for a small number of hourly participants. Pension benefits, excluding MTM adjustments of a loss of \$23.2 million and a gain of \$8.8 million, were \$28.8 million and \$14.0 million in the years ended December 31, 2020 and 2019, respectively. The increase in the net periodic pension benefit was primarily due to the impact of lower discount rates and higher actual return on plan assets. The change in the MTM adjustment was primarily due to the lower impact of discount rate changes, lower actual return on plan assets, reduced mortality assumption gains and higher losses related to demographic experience.

The following sensitivity analysis reflects the impact of a 25 basis point change in the assumed discount rate and return on assets on our pension plan obligations and expense for the year ended December 31, 2020:

(In millions)	0.25% increase	0.25% decrease
<i>Discount rate:</i>		
Effect on ongoing net periodic benefit cost ⁽¹⁾	\$ (31.1)	\$ 32.6
Effect on projected benefit obligation	(34.1)	35.7
<i>Return on assets:</i>		
Effect on ongoing net periodic benefit cost	(2.4)	2.4

⁽¹⁾ Excludes effect of annual MTM adjustment.

A 25 basis point change in the assumed discount rate and return on assets would have no meaningful impact on our other postretirement benefit plan obligations and expense for the year ended December 31, 2020 individually or in the aggregate, excluding the impact of any annual MTM adjustments we record annually.

Foreign Exchange

We translate assets and liabilities of our foreign operations into United States dollars at current exchange rates, and we translate items in our statement of operations at average exchange rates for the periods presented. We record adjustments resulting from the translation of foreign currency financial statements as a component of accumulated other comprehensive income (loss). We report foreign currency transaction gains and losses in income.

Foreign exchange was a gain of \$58.8 million and a loss of \$16.6 million for the years ended December 31, 2020 and 2019, respectively. Foreign exchange gains and losses are primarily related to unhedged intercompany loans denominated in European currencies to fund foreign operations. Foreign exchange gains in 2020 were primarily driven by a weakening U.S. dollar compared to the underlying European currencies and changes in loan balances denominated in Danish Krone that averaged over \$500 million throughout the year.

Income Taxes

(In thousands, except for percentages)	Year ended December 31,		
	2020	2019	\$ Change
Income (loss) before income taxes	\$ (3,918)	\$ (124,447)	\$ 120,529
Income tax expense	\$ 8,179	\$ 5,286	\$ 2,893
Effective tax rate	(208.8)%	(4.2)%	

Our effective tax rate in 2020 reflects a valuation allowance against deferred tax assets in jurisdictions other than, Mexico, Canada, the United Kingdom, and Sweden.

The increase in our income tax expense in 2020 compared to 2019 is primarily attributable to additional income in our profitable foreign subsidiaries, additional foreign withholding taxes incurred on cross-border transactions, and a \$1.1 million deferred tax liability related to unremitted earnings of certain foreign subsidiaries.

In 2019, our effective tax rate was also impacted by valuation allowances related to losses incurred in certain jurisdictions.

Liquidity and Capital Resources

Liquidity

Our primary liquidity requirements include debt service and working capital needs. We fund our liquidity requirements primarily through cash generated from operations and external sources of financing, including our A&R Credit Agreement (as defined below) that governs the U.S. Revolving Credit Facility and the last out term loans (the “Last Out Term Loans”), each of which are described below in further detail along with other sources of liquidity.

As described in Recent Developments in Part II of this Annual Report on Form 10-K, on February 12, 2021, we completed offerings of common stock and 8.125% senior notes due 2026, which resulted in net proceeds of approximately \$283 million after deducting underwriting discounts and commissions, but before expenses.

Cash and Cash Flows

At December 31, 2020, our unrestricted cash and cash equivalents totaled \$57.3 million and we had total debt of \$347.6 million. Our foreign business locations held \$38.7 million of our total unrestricted cash and cash equivalents at December 31, 2020. Our U.S. Revolving Credit Facility allows for nearly immediate borrowing of available capacity to fund cash requirements in the normal course of business, meaning that U.S. cash on hand is minimized to reduce borrowing costs. In general, our foreign cash balances are not available to fund our U.S. operations unless the funds are repatriated or used to repay intercompany loans made from the U.S. to foreign entities, which could expose us to taxes we presently have not made a provision for in our results of operations. We had approximately \$33.7 million available for borrowings under the U.S. Revolving Credit Facility at December 31, 2020.

Cash used in operations was \$40.8 million in the year ended December 31, 2020, which is primarily the result of the change in accounts payable. In the year ended December 31, 2019, cash used in operations was \$176.3 million primarily due to funding settlements related to European B&W Renewable EPC contracts, progress against accrued losses on the six European B&W Renewable EPC loss contracts and working capital build within the B&W Thermal segment related to the timing of and mix of work.

Cash flows from investing activities provided net cash of \$2.2 million in the year ended December 31, 2020, primarily related to \$8.0 million of proceeds received from the settlement of remaining escrows associated with the sale of Palm Beach Resource Recovery Corporation and MEGTEC and Universal businesses, \$5.0 million of other investing activities, offset by the net change in available-for-sale securities and \$8.2 million of capital expenditures. In the year ended December 31, 2019, net cash provided by investing activities was \$8.8 million, primarily from proceeds received from the sale of Loibl for \$7.4 million.

Cash flows from financing activities provided net cash of \$44.1 million in the year ended December 31, 2020, primarily related to \$70.0 million net borrowings from the Last Out Term Loans, offset by \$14.7 million of net repayments of the U.S. Revolving Credit Facility and \$10.6 million of financing fees. Net cash provided by financing activities in the year ended December 31, 2019 was \$167.0 million primarily related to \$109.6 million net borrowings from the Last Out Term Loans, \$34.1 million of net borrowings from the U.S. Revolving Credit Facility, and \$40.4 million proceeds from the Rights Offering, partly offset by \$16.6 million of financing fees.

A&R Credit Agreement

As described in Note 14 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on May 11, 2015, we entered into the Amended Credit Agreement with a syndicate of lenders in connection with our spin-off from BWXT which governs the U.S. Revolving Credit Facility and the Last Out Term Loans (as defined below). Since June 2016, we have entered into a number of waivers and amendments to the Amended Credit Agreement, including several to avoid default under the financial and other covenants specified in the Amended Credit Agreement.

On May 14, 2020, we entered into an agreement with our lenders amending and restating the Amended Credit Agreement (the “A&R Credit Agreement”). The A&R Credit Agreement refinances and extends the maturity of our U.S. Revolving Credit Facility and Last Out Term Loans.

Under the A&R Credit Agreement, B. Riley has committed to provide the Company with up to \$70.0 million of additional Last Out Term Loans on the same terms as the term loans extended under the Amended Credit Agreement. An aggregate \$30.0 million of this new commitment was funded upon execution of the A&R Credit Agreement. Of the remaining commitments, at least \$35.0 million will be funded in installments, subject to reduction for the gross proceeds from certain equity offerings conducted by the Company, and \$5.0 million will be funded upon request by the Company. The proceeds from the \$30.0 million of new term loans were used to pay transaction fees and expenses and repay outstanding borrowings under the U.S. Revolving Credit Facility. Proceeds from the additional \$40.0 million of term loans were used to repay outstanding borrowings under the U.S. Revolving Credit Facility, with any remaining amounts used for working capital, capital expenditures, permitted acquisitions and general corporate purposes. See Note 14 and Note 15 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for additional discussion of the A&R Credit Agreement, U.S. Credit Facility and Last Out Term Loans.

On February 8, 2021, we entered into Amendment No. 2 to the A&R, which among other things, permitted the issuance of the 8.125% senior notes due 2026. See *Recent Developments* in Part II of this Annual Report on Form 10-K for additional discussion of Amendment No. 2 to A&R Credit Agreement.

On March 4, 2021, we entered into A&R Amendment No. 3 with Bank of America. A&R Amendment No. 3, among other matters, at the date of effectiveness (i) permits the prepayment of certain term loans, (ii) reduces the revolving credit commitments to \$130 million and removes the ability to obtain revolving loans under the credit agreement, and (iii) amends certain covenants and conditions to the extension of credit.

On March 4, 2021, effective with the execution of Amendment No. 3, we paid \$75 million towards our existing Last Out Term Loans and paid \$21.8 million of accrued and deferred fees related to the revolving credit facility.

U.S. Revolving Credit Facility

As of December 31, 2020, the U.S. Revolving Credit Facility provides for a senior secured revolving credit facility in an aggregate amount of up to \$306.2 million, as amended and adjusted for completed asset sales. The proceeds from loans under the U.S. Revolving Credit Facility are available for working capital needs, capital expenditures, permitted acquisitions and other general corporate purposes, and the full amount is available to support the issuance of letters of credit, subject to the limits specified in the agreement.

At December 31, 2020, borrowings under the U.S. Revolving Credit Facility consisted of \$164.3 million at a weighted average interest rate of 7.46%. Usage under the U.S. Revolving Credit Facility consisted of \$164.3 million of revolving loan borrowings, \$22.0 million of financial letters of credit and \$86.2 million of performance letters of credit. At December 31, 2020, we had approximately \$33.7 million available to meet letter of credit and borrowing requirements based on our overall facility size.

On October 23, 2020, we received \$26.0 million under the settlement agreement described in Note 5 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report. As required by the Company's U.S. Revolving Credit Facility, 50% of the net proceeds (gross proceeds less costs) or \$8.0 million of the settlement received by the Company was applied as a permanent reduction of the U.S. Revolving Credit Facility in October 2020.

As described in Note 14 and Note 25 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, on February 12, 2021, we received gross proceeds of \$125 million from the 2021 Senior Notes offering. As required by the Company's U.S. Revolving Credit Facility, 75% of the gross proceeds or \$93.8 million received by the Company was applied as a permanent reduction of the U.S. Revolving Credit Facility as of February 12, 2021. Net proceeds received were approximately \$120 million after deducting underwriting discounts and commissions, but before expenses.

Also on February 16, 2021, we prepaid \$167.1 million towards the outstanding U.S. Revolving Credit Facility.

As of March 4, 2021, effective with Amendment No. 3 to the A&R Credit Agreement described above, the U.S. Revolving Credit Facility provides for an aggregate letters of credit amount of up to \$130 million.

Last Out Term Loans

Last Out Term Loans are incurred under our A&R Credit Agreement and are pari passu with the U.S. Revolving Credit Facility except for certain payment subordination provisions. The Last Out Term Loans are subject to the same representations and warranties, covenants and events of default as the U.S. Revolving Credit Facility. Under U.S. GAAP, a debt modification with the same borrower that results in substantially different terms is accounted for as an extinguishment of the existing debt and a reborrowing of new debt. An extinguishment gain or loss is then recognized based on the fair value of the new debt as compared to the carrying value of the extinguished debt. The Company recognized a loss on debt extinguishment of \$6.2 million in 2020, primarily representing the unamortized value of the original issuance discount and fees on the Tranche A-3 Last Out Term Loan. In connection with the effectiveness of the A&R Credit Agreement, the maturity date for the Last Out Term Loans was extended to December 30, 2022.

On December 31, 2020, September 30, 2020 and June 30, 2020, the Company issued 2,379,376, 2,334,002, and 1,192,371 unregistered shares of common stock to B. Riley in settlement of the Last Out Term Loans' quarterly interest payable in connection with the Fee and Interest Equitization Agreement further discussed in Note 14.

The total effective interest rate of Tranche A-3, Tranche A-4 and Tranche A-6 was 12.0% on December 31, 2020. Interest expense associated with the Last Out Term Loans is detailed in Note 16.

As of December 31, 2020, the Last Out Term Loans are presented as a non-current liability in our Consolidated Balance Sheets as a result of the extension of their maturity dates to December 30, 2022 granted under the A&R Credit Agreement. As of December 31, 2019, the Last Out Term Loans are presented as a current liability in our Consolidated Balance Sheets as a result of limited waivers granted to maintain compliance with the covenants in the previous Amended Credit Agreement. See Note 14 and Note 15 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for additional discussion of the A&R Credit Agreement, U.S. Credit Facility and Last Out Term Loans.

On February 12, 2021, we issued \$35 million of Senior Notes to B. Riley Financial, Inc. in exchange for a deemed prepayment of our existing Last Out Term Loan' Tranche A-6. The interest rate on the remaining Last Out Term Loan Tranche A balances has been reduced to 6.625% from 12.0%. See Recent Developments in Part II of this Annual Report on Form 10-K for additional discussion of the exchange and deemed prepayment.

On March 4, 2021, effective with the execution of A&R Amendment No. 3, we paid \$75 million towards our existing Last Out Term Loans..

Letters of Credit, Bank Guarantees and Surety Bonds

As described in Note 14 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report, certain subsidiaries primarily outside of the United States have credit arrangements with various commercial banks and other financial institutions for the issuance of letters of credit and bank guarantees in association with contracting activity. The aggregate value of all such letters of credit and bank guarantees opened outside of the U.S. Revolving Credit Facility as of December 31, 2020 and December 31, 2019 was \$84.5 million and \$88.5 million, respectively. The aggregate value of the letters of credit provided by the U.S. Revolving Credit Facility backstopping letters of credit or bank guarantees was \$32.0 million as of December 31, 2020. Of the letters of credit issued under the U.S. Revolving Credit Facility, \$34.9 million are subject to foreign currency revaluation.

Our ability to obtain and maintain sufficient capacity under our U.S. Revolving Credit Facility is essential to allow us to support the issuance of letters of credit, bank guarantees and surety bonds. Without sufficient capacity, our ability to support contract security requirements in the future will be diminished.

B. Riley Limited Guaranty

In connection with the Company's entry into the A&R Credit Agreement, B. Riley entered into the B. Riley Guaranty (as defined in Note 14) for the benefit of the Administrative Agent and the lenders under the U.S. Revolving Credit Facility. The B. Riley Guaranty provides for the guarantee of all of the Company's obligations with respect to the U.S. Revolving Credit Facility (other than with respect to letters of credit and contingent obligations), including the obligation to repay outstanding

revolving credit loans and pay earned interest and fees. See Note 14 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for additional discussion of the B. Riley Guaranty.

Fee and Interest Equitization Agreement

In connection with the B. Riley Guaranty, the Company entered into the Equitization Agreement (as defined in Note 14) with B. Riley and, solely for certain limited purposes under the Equitization Agreement, B. Riley FBR, Inc.

The Equitization Agreement provides that, in lieu of receiving (a) \$13.4 million of interest payments with respect to Last Out Term Loans under the A&R Credit Agreement between May 14, 2020 and December 31, 2020 and (b) the B. Riley Guaranty Fee, B. Riley will receive unregistered shares of the Company's Common Stock. See Note 14 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for additional discussion of the Equitization Agreement.

Equitization Transactions

In connection with Amendment No. 16 to the Amended Credit Agreement and the extension of Tranche A-3 of the Last Out Term Loans, the Company, B. Riley and Vintage, each related parties, entered into the "Letter Agreement" on April 5, 2019, pursuant to which the parties agreed to use their reasonable best efforts to effect a series of equitization transactions for a portion of the Last Out Term Loans, subject to, among other things, stockholder approval. Stockholder approval was received at the Company's annual stockholder meeting on June 14, 2019 and the contemplated transactions. See Note 14 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for additional discussion of the Equitization Transactions.

2019 Rights Offering

On June 28, 2019, we distributed to holders of our common stock one nontransferable subscription right to purchase 0.986896 common shares for each common share held at a subscription price of \$0.30 per whole share of common stock (the "2019 Rights Offering"). The 2019 Rights Offering expired on July 18, 2019 and settled on July 23, 2019.

The 2019 Rights Offering resulted in the issuance of 13.9 million common shares as a result of the exercise of subscription rights in the offering. Gross proceeds from the 2019 Rights Offering were \$41.8 million, \$10.3 million which was used to fully repay Tranche A-2 of the Last Out Term Loans and the remaining \$31.5 million was used to reduce outstanding borrowings under Tranche A-3 of the Last Out Term Loans. Concurrently with the closing of the 2019 Rights Offering, and in satisfaction of the Backstop Commitment, the Company issued an aggregate of 2.7 million common shares in exchange for a portion of the Tranche A-3 Last Out Term Loans totaling \$8.2 million, to B. Riley, a related party. The 2019 Rights Offering was pursuant to the April 5, 2019 Letter Agreement and the Equitization Transactions and were approved by stockholders at the Company's annual stockholder meeting on June 14, 2019.

2021 Offerings of Common Stock and 8.125% Senior Notes due 2026

As described in Recent Developments of Part I of this Annual Report on Form 10-K, on February 12, 2021, we closed our underwritten public offerings of common stock and 8.125% senior notes due 2026. See the discussion in *Recent Developments* for additional information regarding these offerings.

Off-Balance Sheet Arrangements

There were no significant off-balance sheet arrangements at December 31, 2020.

EFFECTS OF INFLATION AND CHANGING PRICES

Our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report are prepared in accordance with generally accepted accounting principles in the United States, using historical United States dollar accounting ("historical cost"). Statements based on historical cost, however, do not adequately reflect the cumulative effect of increasing costs and changes in the purchasing power of the United States dollar, especially during times of significant and continued inflation.

In order to minimize the negative impact of inflation on our operations, we attempt to cover the increased cost of anticipated changes in labor, material and service costs, either through an estimate of those changes, which we reflect in the original

price, or through price escalation clauses in our contracts. However, there can be no assurance we will be able to cover all changes in cost using this strategy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Consolidated Financial Statements included in Part II, Item 8 of this Annual Report are prepared in accordance with accounting principles generally accepted in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe the following are our most critical accounting policies that we apply in the preparation of our consolidated financial statements. These policies require our most difficult, subjective and complex judgments, often as a result of the need to make estimates of matters that are inherently uncertain.

Contracts and revenue recognition

A significant portion of our revenue is recognized over time using the cost-to-cost input method, which involves significant estimates. This method of revenue recognition uses costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, material, overhead, warranty and, when appropriate, SG&A expenses. Variable consideration in these contracts includes estimates of liquidated damages, contractual bonuses and penalties, and contract modifications.

We review contract price and cost estimates each reporting period as the work progresses and reflect adjustments proportionate to the costs incurred to date relative to total estimated costs at completion in income in the period when those estimates are revised. These changes in estimates can be material. For all contracts, if a current estimate of total contract cost indicates a loss on a contract, the projected contract loss is recognized in full through the statement of operations and an accrual for the estimated loss on the uncompleted contract is included in *other accrued liabilities* in the Consolidated Balance Sheets. In addition, when we determine that an uncompleted contract will not be completed on-time and the contract has liquidated damages provisions, we recognize the estimated liquidated damages we will incur and record them as a reduction of the estimated selling price in the period the change in estimate occurs. Losses accrued in advance of the completion of a contract are included in *other accrued liabilities* in our Consolidated Balance Sheets.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract, with cumulative adjustment to revenue.

We recognize claims receivable in contract revenues for extra work or changes in scope of work to the extent of costs incurred when we believe we have an enforceable right to the modification or claim and the amount can be estimated reliably, and its realization is probable. In evaluating these criteria, we consider the contractual/legal basis for enforcing the claim, the cause of any additional costs incurred and whether those costs are identifiable or otherwise determinable, the nature and reasonableness of those costs, the objective evidence available to support the amount of the claim, and our relevant history with the counter-party that supports our expectations about their willingness and ability to pay for the additional cost along with a reasonable margin. In our Consolidated Balance Sheets, claims receivable at December 31, 2020 and December 31, 2019 were not significant.

Our revenue recognition policies, assumptions, changes in estimates and significant loss contracts are described in greater detail in Note 2 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report.

Warranty

We accrue estimated expense included in *cost of operations* on our Consolidated Statements of Operations to satisfy contractual warranty requirements when we recognize the associated revenues on the related contracts. In addition, we record specific provisions or reductions when we expect the actual warranty costs to significantly differ from the accrued estimates. Factors that impact our estimate of warranty costs include prior history of warranty claims and our estimates of future costs of materials and labor. Such changes could have a material effect on our consolidated financial condition, results of operations and cash flows. See Note 11 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for further discussion.

Loss contingencies

We estimate liabilities for loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. We provide disclosure when there is a reasonable possibility that the ultimate loss will exceed the recorded provision or if such probable loss is not reasonably estimable. We are currently involved in some significant litigation. See Note 19 to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report for a discussion of this litigation. As disclosed, we have accrued estimates of the probable losses associated with these matters; however, these matters are typically resolved over long periods of time and are often difficult to estimate due to the possibility of multiple actions by third parties. Therefore, it is possible that future earnings could be affected by changes in our estimates related to these matters.

Income taxes

Income tax expense for federal, foreign, state, and local income taxes is calculated on taxable income based on the income tax law in effect at the latest balance sheet date and includes the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We assess the need for valuation allowances on a quarterly basis. In determining the need for a valuation allowance, we consider relevant positive and negative evidence, including carryback potential, reversals of taxable temporary differences, future taxable income, and tax-planning strategies. As of December 31, 2020, we have a valuation allowance on our deferred tax assets in substantially all jurisdictions, as we do not believe it is more likely than not that the deferred tax assets will be realized.

For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in our consolidated financial statements. We record interest and penalties (net of any applicable tax benefit) related to income taxes as a component of provision for income taxes on our Consolidated Statements of Operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk from changes in interest rates relates primarily to our cash equivalents and our investment portfolio, which primarily consists of investments in U.S. government obligations and highly liquid money market instruments denominated in U.S. dollars. We are averse to principal loss and seek to ensure the safety and preservation of our invested funds by limiting default risk, market risk and reinvestment risk. Our investments are classified as available-for-sale.

Our U. S. Revolving Credit Facility is variable-rate debt, so its fair value would not be significantly affected by changes in prevailing market rates. On December 31, 2020, its principal balance was \$164.3 million, and the weighted average interest rate was 7.46%. As of the effectiveness date of our A&R Credit Agreement on May 14, 2020, our Last Out Term Loans' interest rate was fixed at 12.0% per annum. Prior to May 14, 2020, our Last Out Term Loans had a paid-in-kind interest feature which was additive to the principal balance.

We have operations in many foreign locations, and, as a result, our financial results could be significantly affected by factors such as changes in foreign currency exchange ("FX") rates or weak economic conditions in those foreign markets. Foreign currency transaction gains and losses on intercompany loans that are not designated as permanent loans are recorded in earnings. Our primary foreign currency exposures are Danish krone, British pound, Euro, Canadian dollar, Mexican peso, and Chinese yuan. If the balances of these intercompany loans at December 31, 2020 were to remain constant, a 100 basis point change in FX rates would impact our earnings by an estimated \$17.3 million per year.

ITEM 8. Consolidated Financial Statements and Supplemental Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Babcock & Wilcox Enterprises, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Babcock & Wilcox Enterprises, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive (loss) income, stockholders' (deficit) equity, and cash flows, for each of the two years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition and Contracts – Refer to Notes 2 and 5 to the financial statements

Critical Audit Matter Description

The Company recognizes fixed price long-term contract revenue over the contract term ("over time") as the work progresses, either as products are produced or as services are rendered, because transfer of control to the customer occurs over time. Substantially all of the Company's fixed price long-term contracts represent a single performance obligation as the interdependent nature of the goods and services provided prevents them from being separately identifiable within the contract. Revenue recognized over time primarily relates to customized, engineered solutions and construction services from all three of the Company's segments. Typically, revenue is recognized over time using the cost-to-cost input method that uses costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying the Company's performance obligations. The accounting for these contracts involves judgment, particularly as it relates to the process of

estimating total costs and profit for the performance obligation. Revenue from fixed price long term contracts for products and services transferred to customer over time accounted for 71% of Company revenue for the year ended December 31, 2020.

We identified revenue on fixed price long-term contracts as a critical audit matter because of the judgments necessary for management to estimate total costs and profit for the performance obligations used to recognize revenue for certain fixed price long-term contracts. This required extensive audit effort due to the volume and complexity of fixed price long-term contracts and required a high degree of auditor judgment when performing audit procedures to audit management's estimates of total costs and profit and evaluating the results of those procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimates of total costs and profit for the performance obligations used to recognize revenue for certain fixed price long-term contracts included the following, among others:

- We selected a sample of customer fixed price long-term contracts performed over time and performed the following:
 - Evaluated whether the fixed price contracts were properly included in management's calculation of fixed price long-term contract revenue based on the terms and conditions of each contract, including whether continuous transfer of control to the customer occurred as progress was made toward fulfilling the performance obligation.
 - Compared the transaction prices to the consideration expected to be received based on current rights and obligations under the contracts and any modifications that were agreed upon with the customers.
 - Tested management's identification of distinct performance obligations by evaluating whether the underlying goods, services, or both were highly interdependent and interrelated.
 - Tested the accuracy and completeness of the costs incurred to date for the performance obligation.
 - With the assistance of our capital projects specialists we evaluated the estimates of total cost and profit for the performance obligation by:
 - Comparing costs incurred to date to the costs which management estimated to be incurred to date.
 - Evaluating management's ability to achieve the estimates of total cost and profit by performing corroborating inquiries with the Company's project managers and engineers, and comparing the estimates to management's work plans, engineering specifications, and supplier contracts.
 - Comparing management's estimates for the selected contracts to costs and profits of similar performance obligations, when applicable.
 - Tested the mathematical accuracy of management's calculation of revenue for the performance obligation.
 - Tested management's retrospective review of each contract's revenue to determine whether revenue is accurately recognized during the period under audit.
- Evaluated the Company's disclosures related to revenue recognition and contracts to assess their conformity with the applicable accounting standards.

Accounting for A&R Credit Agreement— Refer to Notes 14 and 15 to the financial statements

Critical Audit Matter Description

On May 14, 2020, the Company entered into an agreement with its lenders amending and restating its Amended Credit Agreement (the "A&R Credit Agreement"). The agreement refinances and extends the maturity of its Revolving Credit Facility and Last Out Term Loans. The agreement, among other things, extends the maturity date of the revolving credit facility to June 30, 2022, and the maturity date of all Last Out Term Loans to December 30, 2022; retains the interest rates in effect before the refinancing throughout the revised maturity dates; and provides for the deferral of certain interest payments during 2020 to be paid in 2021.

We identified the accounting for the A&R Credit Agreement as a critical audit matter because of the judgments necessary for management to determine if the amendment of the debt agreement resulted in a debt extinguishment, a debt modification or a troubled debt restructuring for the Revolving Credit Facility and for the Last Out Term Loans.

This required extensive audit effort due to the complexity of the agreement and required a high degree of auditor judgment when performing audit procedures to audit management's estimates and judgments and evaluating the results of those procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the accounting of the A&R Credit Agreement and management's judgements used to account for the amendment included the following, among others:

- Evaluated management's conclusion regarding the accounting treatment of the A&R Credit Agreement by performing the following:
 - We obtained and analyzed the executed A&R Credit Agreement.
 - We obtained and analyzed the Company's documentation and accounting assessment including their conclusions regarding the appropriate unit of account to use for evaluation.
 - We obtained and analyzed the Company's documentation and accounting assessment including their conclusions reached regarding the appropriate accounting model to apply to the amendment for each of the Revolving Credit Facility and the Last Out Term Loans.
 - With the assistance of our professionals having experience in accounting for complex debt arrangements, we evaluated whether the restructuring of each of the Revolving Credit Facility and the Last Out Term Loans represents a troubled debt restructuring through the following procedures:
 - Evaluated whether the Company was experiencing financial difficulties at the time of the amendment.
 - Evaluated whether a concession was granted by either of the creditors.
 - With the assistance of fair value specialists, we independently evaluated the reasonableness of the interest rates for both the Revolving Credit Facility and Last Out Term Loans after the amendment to determine whether they were deemed to be at market rates or met the criteria of a concession.
- Evaluated the Company's disclosures to assess their compliance with the applicable accounting standards.

/S/ DELOITTE & TOUCHE LLP

Cleveland, Ohio
March 8, 2021

We have served as the Company's auditor since 2014.

BABCOCK & WILCOX ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year ended December 31,	
	2020	2019
Revenues	\$ 566,317	\$ 859,111
Costs and expenses:		
Cost of operations	400,465	698,853
Selling, general and administrative expenses	141,746	151,069
Advisory fees and settlement costs	12,878	27,943
Restructuring activities	11,849	11,707
Research and development costs	4,379	2,861
Gain on asset disposals, net	(3,263)	(3,940)
Total costs and expenses	568,054	888,493
Operating loss	(1,737)	(29,382)
Other (expense) income:		
Interest expense	(59,796)	(94,901)
Interest income	646	923
Loss on debt extinguishment	(6,194)	(3,969)
Loss on sale of business	(108)	(3,601)
Benefit plans, net	5,600	22,800
Foreign exchange	58,799	(16,602)
Other – net	(1,128)	285
Total other expense	(2,181)	(95,065)
Loss before income tax expense	(3,918)	(124,447)
Income tax expense	8,179	5,286
Loss from continuing operations	(12,097)	(129,733)
Income from discontinued operations, net of tax	1,800	694
Net loss	(10,297)	(129,039)
Net (income) loss attributable to non-controlling interest	(21)	7,065
Net loss attributable to stockholders	\$ (10,318)	\$ (121,974)
Basic and diluted (loss) earnings per share:		
Continuing operations	\$ (0.25)	\$ (3.89)
Discontinued operations	0.04	0.02
Basic and diluted loss per share	\$ (0.21)	\$ (3.87)
Shares used in the computation of earnings (loss) per share:		
Basic and diluted	48,710	31,514

See accompanying notes to Consolidated Financial Statements.

BABCOCK & WILCOX ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands)	Year ended December 31,	
	2020	2019
Net loss	\$ (10,297)	\$ (129,039)
Other comprehensive (loss) income:		
Currency translation adjustments (CTA)	(53,318)	13,401
Reclassification of CTA to net loss	—	3,176
Derivative financial instruments:		
Unrealized gains on derivative financial instruments	—	(1,367)
Derivative financial instrument losses reclassified into net loss	—	202
Derivative financial instruments reclassified to advanced billings on contracts	—	(197)
Benefit obligations:		
Amortization of benefit plan benefits	(998)	(1,857)
Other comprehensive (loss) income	(54,316)	13,358
Total comprehensive loss	(64,613)	(115,681)
Comprehensive (income) loss attributable to non-controlling interest	(29)	7,140
Comprehensive loss attributable to stockholders	\$ (64,642)	\$ (108,541)

See accompanying notes to Consolidated Financial Statements.

BABCOCK & WILCOX ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amount)

	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 57,338	\$ 43,772
Restricted cash and cash equivalents	10,085	13,169
Accounts receivable – trade, net	128,317	142,201
Accounts receivable – other	35,442	23,263
Contracts in progress	59,308	91,579
Inventories	67,161	63,103
Other current assets	26,421	27,044
Current assets held for sale	4,728	8,089
Total current assets	388,800	412,220
Net property, plant and equipment, and finance lease	85,078	97,053
Goodwill	47,363	47,160
Intangible assets	23,908	25,300
Right-of-use assets	10,814	12,498
Other assets	24,673	24,966
Non-current assets held for sale	11,156	7,322
Total assets	\$ 591,792	\$ 626,519
Revolving credit facilities	\$ —	\$ 179,000
Last out term loans	—	103,953
Accounts payable	73,481	109,913
Accrued employee benefits	13,906	18,256
Advance billings on contracts	64,002	75,287
Accrued warranty expense	25,399	33,376
Operating lease liabilities	3,995	4,323
Other accrued liabilities	81,744	68,848
Current liabilities held for sale	8,305	9,538
Total current liabilities	270,832	602,494
Revolving credit facilities	164,300	—
Last out term loans	183,330	—
Pension and other accumulated postretirement benefit liabilities	252,292	259,272
Non-current finance lease liabilities	29,690	30,454
Non-current operating lease liabilities	7,031	8,388
Other non-current liabilities	22,579	20,850
Total liabilities	930,054	921,458
Commitments and contingencies		
Stockholders' deficit:		
Common stock, par value \$0.01 per share, authorized shares of 500,000; issued and outstanding shares of 54,452 and 46,374 at December 31, 2020 and 2019, respectively	4,784	4,699
Capital in excess of par value	1,164,436	1,142,614
Treasury stock at cost, 718 and 616 shares at December 31, 2020 and 2019, respectively	(105,990)	(105,707)
Accumulated deficit	(1,350,206)	(1,339,888)
Accumulated other comprehensive income (loss)	(52,390)	1,926
Stockholders' deficit attributable to shareholders	(339,366)	(296,356)
Non-controlling interest	1,104	1,417
Total stockholders' deficit	(338,262)	(294,939)
Total liabilities and stockholders' deficit	\$ 591,792	\$ 626,519

See accompanying notes to Consolidated Financial Statements.

BABCOCK & WILCOX ENTERPRISES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' (DEFICIT) EQUITY

	Common Stock		Capital In Excess of Par Value	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interest	Total Stockholders' Deficit
	Shares ⁽¹⁾	Par Value						
	(in thousands, except share and per share amounts)							
Balance at January 1, 2018	16,879	\$ 1,748	\$ 1,047,062	\$ (105,590)	\$ (1,217,914)	\$ (11,432)	\$ 8,829	\$ (277,297)
Net loss	—	—	—	—	(121,974)	—	(7,065)	(129,039)
Currency translation adjustments	—	—	—	—	—	16,577	(75)	16,502
Derivative financial instruments	—	—	—	—	—	(1,362)	—	(1,362)
Defined benefit obligations	—	—	—	—	—	(1,857)	—	(1,857)
Stock-based compensation	108	12	3,072	(117)	—	—	—	2,967
Rights offering, net	13,922	1,392	39,544	—	—	—	—	40,936
Last Out Term Loan principal value exchanged for common stock	15,465	1,547	44,848	—	—	—	—	46,395
Issuance of beneficial conversion option of Last Out Term Loan Tranche A-3	—	—	2,022	—	—	—	—	2,022
Warrants	—	—	6,066	—	—	—	—	6,066
Dividends to non-controlling interest	—	—	—	—	—	—	(272)	(272)
Balance at December 31, 2019	46,374	\$ 4,699	\$ 1,142,614	\$ (105,707)	\$ (1,339,888)	\$ 1,926	\$ 1,417	\$ (294,939)
Net (loss) income	—	—	—	—	(10,318)	—	21	(10,297)
Currency translation adjustments	—	—	—	—	—	(53,318)	8	(53,310)
Defined benefit obligations	—	—	—	—	—	(998)	—	(998)
Stock-based compensation	460	9	4,548	(283)	—	—	—	4,274
Equitized guarantee fee payment	1,713	17	3,883	—	—	—	—	3,900
Equitized Last Out Term Loan interest payment	5,905	59	13,391	—	—	—	—	13,450
Dividends to non-controlling interest	—	—	—	—	—	—	(342)	(342)
Balance at December 31, 2020	54,452	\$ 4,784	\$ 1,164,436	\$ (105,990)	\$ (1,350,206)	\$ (52,390)	\$ 1,104	\$ (338,262)

⁽¹⁾ Issued and outstanding common shares and treasury stock shares reflect the one-for-ten reverse stock split on July 24, 2019 as described in Note 1.

See accompanying notes to Consolidated Financial Statements.

BABCOCK & WILCOX ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (10,297)	\$ (129,039)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of long-lived assets	16,805	23,605
Amortization of deferred financing costs, debt discount and payment-in-kind interest	16,743	61,181
Amortization of guaranty fee	1,159	—
Non-cash operating lease expense	4,765	5,356
Loss on sale of business	108	3,601
Loss on debt extinguishment	6,194	3,969
Gains on asset disposals	(3,262)	(3,940)
Provision for (benefit from) deferred income taxes, including valuation allowances	1,791	(855)
Mark to market (gains) losses and prior service cost amortization for pension and postretirement plans	22,156	(10,661)
Stock-based compensation, net of associated income taxes	4,557	3,084
Equitized non-cash interest expense	13,450	—
Foreign exchange	(58,799)	16,602
Changes in assets and liabilities:		
Accounts receivable	21,673	63,914
Contracts in progress	35,850	48,492
Advance billings on contracts	(13,057)	(71,268)
Inventories	(4,084)	(4,141)
Income taxes	(2,425)	1,273
Accounts payable	(42,001)	(80,459)
Accrued and other current liabilities	9,146	(23,101)
Accrued contract loss	(5,557)	(50,654)
Pension liabilities, accrued postretirement benefits and employee benefits	(37,223)	(16,346)
Other, net	(18,498)	(16,930)
Net cash used in operating activities	(40,806)	(176,317)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(8,230)	(3,804)
Proceeds from sale of business	8,000	7,445
Purchases of available-for-sale securities	(29,068)	(8,914)
Sales and maturities of available-for-sale securities	26,563	11,547
Other, net	4,954	2,505
Net cash from investing activities	2,219	8,779

(in thousands)	Year ended December 31,	
	2020	2019
Cash flows from financing activities:		
Borrowings under our U.S. revolving credit facility	158,900	291,600
Repayments of our U.S. revolving credit facility	(173,600)	(257,500)
Borrowings under Last Out Term Loans	70,000	151,350
Repayments under Last Out Term Loans	—	(41,766)
Repayments under our foreign revolving credit facilities	—	(605)
Shares of our common stock returned to treasury stock	(283)	(117)
Proceeds from rights offering	—	40,376
Costs related to rights offering	—	(832)
Debt issuance costs	(10,590)	(16,619)
Issuance of common stock	—	1,392
Other, net	(329)	(261)
Net cash from financing activities	44,098	167,018
Effects of exchange rate changes on cash	4,971	(2,818)
Net increase (decrease) in cash, cash equivalents and restricted cash	10,482	(3,338)
Cash, cash equivalents and restricted cash, beginning of period	56,941	60,279
Cash, cash equivalents and restricted cash, end of period	\$ 67,423	\$ 56,941

See accompanying notes to Consolidated Financial Statements.

BABCOCK & WILCOX ENTERPRISES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – BASIS OF PRESENTATION

The 2020 and 2019 Consolidated Financial Statements of Babcock & Wilcox Enterprises, Inc. (“B&W,” “management,” “we,” “us,” “our” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States and Securities and Exchange Commission (“SEC”). We have eliminated all intercompany transactions and accounts. We present the notes to our Consolidated Financial Statements on the basis of continuing operations, unless otherwise stated.

Recent Developments

In February and March 2021, we entered into a series of agreements and completed a series of financing transactions including the following:

- on February 8, 2021, we entered into A&R Amendment No. 2 with Bank of America. A&R Amendment No. 2, among other matters, (i) permits the issuance of senior notes, (ii) permits the deemed prepayment of \$35 million of our Tranche A term loan with \$35 million principal amount of senior notes, (iii) provides that 75% of the senior notes gross proceeds shall be used to repay outstanding borrowings and permanently reduce the commitments under our senior secured credit facilities, and (iv) provide that \$5 million of certain previously deferred facility fees will be paid by the Company;
- on February 12, 2021, we entered into a letter agreement (the “Exchange Agreement”) with B. Riley Financial, Inc. (“B. Riley”), a related party, pursuant to which we agreed to issue to B. Riley \$35 million aggregate principal amount of Senior Notes in exchange for a deemed prepayment of \$35 million of our existing Tranche A term loan with B. Riley. On February 12, 2021, we issued \$35 million of senior notes to B. Riley in exchange for a deemed prepayment of our existing Last Out Term Loan' Tranche A-6. The interest rate on the remaining Last Out Term Loan Tranche A balances has been reduced to 6.625% from 12.0%;
- on February 12, 2021, we received gross proceeds of approximately \$172.5 million after closing a public offering of our common stock in which 29,487,180 shares of common stock were issued, inclusive of 3,846,154 shares issued to B. Riley Securities, Inc., a related party, as representative of several underwriters to the common stock offering. Net proceeds received were approximately \$163 million after deducting underwriting discounts and commissions, but before expenses;
- on February 12, 2021, we received gross proceeds of approximately \$125 million after completing an issuances of our 8.125% Senior Notes due 2026 from a public offering of \$120 million and \$5 million of the senior notes issued to B. Riley Securities, Inc., a related party, as representative of several underwriters to the senior notes offering. Net proceeds received were approximately \$120 million after deducting underwriting discounts and commissions, but before expenses;
- on March 4, 2021, we entered into A&R Amendment No. 3 with Bank of America. A&R Amendment No. 3, among other matters, at the date of effectiveness (i) permits the prepayment of certain term loans, (ii) reduces the revolving credit commitments to \$130 million and removes the ability to obtain revolving loans under the credit agreement, and (iii) amends certain covenants and conditions to the extension of credit; and
- on March 4, 2021, effective with the execution of A&R Amendment No. 3, we paid \$75 million towards our existing Last Out Term Loans and paid \$21.8 million of accrued and deferred fees related to the revolving credit facility.

For further information, see Note 25 to our Consolidated Financial Statements.

COVID-19

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China and has subsequently spread globally. This global pandemic has disrupted business operations, trade, commerce, financial and credit markets, and daily life throughout the world. Our business has been, and continues to be, adversely impacted by the measures taken and restrictions imposed in the countries in which we operate and by local governments and others to control the spread of this virus. These measures and restrictions have varied widely and have been subject to significant changes from time to time depending on the changes in the severity of the virus in these countries and localities. These restrictions, including travel and curtailment of other activity, negatively impact our ability to conduct business. The volatility and variability of the virus has limited our ability to forecast the impact of the virus on our customers and our business. The continuing resurgence of COVID-19, including at least one new strain thereof, has resulted in the reimposition of certain restrictions and may lead to

other restrictions being implemented in response to efforts to reduce the spread of the virus. These varying and changing events have caused many of the projects we had anticipated would begin in 2020 to be delayed into 2021 and beyond. Many customers and projects require B&W's employees to travel to customer and project worksites. Certain customers and significant projects are located in areas where travel restrictions have been imposed, certain customers have closed or reduced on-site activities, and timelines for completion of certain projects have, as noted above, been extended into 2021 and beyond. Additionally, out of concern for our employees, even where restrictions permit employees to return to our offices and worksites, we have incurred additional costs to protect our employees as well as, advising those who are uncomfortable returning to worksites due to the pandemic that they are not required to do so for an indefinite period of time. The resulting uncertainty concerning, among other things, the spread and economic impact of the virus has also caused significant volatility and, at times, illiquidity in global equity and credit markets. The full extent of the COVID-19 impact on our operational and financial performance will depend on future developments, including the ultimate duration and spread of the pandemic and related actions taken by the U.S. government, state and local government officials, and international governments to prevent disease spread, as well as the availability and effectiveness of COVID-19 vaccinations in the U.S. and abroad, all of which are uncertain, out of our control, and cannot be predicted.

Beginning in April 2020, as part of the Company's response to the impact of the COVID-19 pandemic on its business, the Company has taken a number of cash conservation and cost reduction measures which include:

- temporary unpaid furloughs of certain employees;
- temporarily deferral of 50% of the monthly fee paid to BRPI Executive Consulting, LLC for the services of our Chief Executive Officer;
- deferrals of 30% of the base salaries of our Chief Financial Officer and Chief Operating Officer, and 50% of our previous Chief Strategy Officer;
- suspension of our 401(k) company match for U.S. employees for 2020 and for 2021 as of the issuance date of these financial statements;
- approval by the Company's Board for a temporary deferral of 50% of the cash compensation payable to non-employee directors under the Company's board compensation program paid during the first quarter of 2021;
- temporary rent payment deferrals related to leased facilities located in the U.S., Canada, Italy and Denmark;
- utilizing options for government loans and programs in the U.S. and abroad that are appropriate and available; and
- deferring, in accordance with the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law in March 2020, the Pension Plan contribution payments of \$5.5 million each for the 2020 Plan year that would have been made on April 15, 2020, July 15, 2020 and October 15, 2020, respectively. In addition, we elected to defer the contribution payments of \$1.1 million for the 2018 Plan year and \$23.7 million for the 2019 Plan year that were both due on September 15, 2020. Per the 2019 Plan year waiver received on October 1, 2020, the \$23.7 million deferred for the 2019 Plan year will now be funded over the next five years.

NOTE 2– SIGNIFICANT ACCOUNTING POLICIES

Reportable segments

Our operations are assessed based on three reportable segments which changed during our third quarter of 2020 as part of our strategic, market-focused organizational and re-branding initiative to accelerate growth and provide stakeholders improved visibility into our renewable and environmental growth platforms. Our reportable segments are as follows:

- *B&W Renewable segment*: cost-effective technologies for efficient and environmentally sustainable power and heat generation, including waste-to-energy, biomass energy and black liquor systems for the pulp and paper industry. The segment's leading technologies support a circular economy, diverting waste from landfills to use for power generation and replacing fossil fuels, while recovering metals and reducing emissions.
- *B&W Environmental segment*: full suite of best-in-class emissions control and environmental technology solutions for utility and industrial steam generation applications around the world. The segment's broad experience includes systems for cooling, ash handling, particulate control, nitrogen oxides and sulfur dioxides removal, chemical looping for carbon control, and mercury control.
- *B&W Thermal segment*: steam generation equipment, aftermarket parts, construction, maintenance and field services for plants in the power generation, oil and gas, and industrial sectors. The segment has an extensive global base of installed equipment for utilities and general industrial applications including refining, petrochemical, food processing, metals and others.

For financial information about our segments see Note 4 to our Consolidated Financial Statements.

Use of estimates

We use estimates and assumptions to prepare our Consolidated Financial Statements in conformity with GAAP. Some of our more significant estimates include our estimate of costs to complete long-term construction contracts, estimates associated with assessing whether goodwill and other long-lived assets are impaired, estimates of costs to be incurred to satisfy contractual warranty requirements, estimates of the value of acquired intangible and tangible assets, estimates associated with the realizability of deferred tax assets, and estimates we make in selecting assumptions related to the valuations of our pension and postretirement plans, including the selection of our discount rates, mortality and expected rates of return on our pension plan assets. These estimates and assumptions affect the amounts we report in our Consolidated Financial Statements and accompanying notes. Our actual results could differ from these estimates. Variances could result in a material effect on our financial condition and results of operations in future periods.

Earnings per share

We have computed earnings per common share on the basis of the weighted average number of common shares, and, where dilutive, common share equivalents, outstanding during the indicated periods. The weighted average shares used to calculate basic and diluted earnings per share reflect the bonus element for the 2019 Rights Offering on July 23, 2019 and the one-for-ten reverse stock split on July 24, 2019. We have a number of forms of stock-based compensation, including incentive and non-qualified stock options, restricted stock, restricted stock units, performance shares, and performance units, subject to satisfaction of specific performance goals. We include the shares applicable to these plans in dilutive earnings per share when related performance criteria have been met. The computation of basic and diluted earnings per share is included in Note 3.

Investments

Our investments primarily relate to our wholly owned insurance subsidiary. We classify investments available for current operations in the Consolidated Balance Sheets as current assets, while we classify investments held for long-term purposes as non-current assets. We adjust the amortized cost of debt securities for amortization of premiums and accretion of discounts to maturity. That amortization is included in interest income. We include realized gains and losses on our investments in *other - net* in our Consolidated Statements of Operations. The cost of securities sold is based on the specific identification method. We include interest on securities in interest income.

Foreign currency translation

We translate assets and liabilities of our foreign operations into U.S. dollars at current exchange rates, and we translate items in our statement of operations at average exchange rates for the periods presented. We record adjustments resulting from the translation of foreign currency financial statements as a component of accumulated other comprehensive income (loss). We report foreign currency transaction gains and losses in income. We have included transaction gains of \$58.8 million and losses of \$16.6 million in the years ended December 31, 2020 and 2019, respectively, in *foreign exchange* in our Consolidated Statements of Operations. These foreign exchange net gains and losses are primarily related to transaction gains or losses from unhedged intercompany loans when the loan is denominated in a currency different than the participating entity's functional currency. Certain reclassifications have been made to the 2019 balances related to foreign currency gains and losses in the Consolidated Statements of Cash Flows to conform to the current year presentation.

Revenue recognition

A performance obligation is a contractual promise to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and is recognized as revenue when (point in time) or as (over time) the performance obligation is satisfied.

Revenue from goods and services transferred to customers at a point in time, which includes certain aftermarket parts and services, accounted for 29% and 21% of our revenue for the years ended December 31, 2020 and 2019, respectively. Revenue on these contracts is recognized when the customer obtains control of the asset, which is generally upon shipment or delivery and acceptance by the customer. Standard commercial payment terms generally apply to these sales.

Revenue from products and services transferred to customers over time accounted for 71% and 79% of our revenue for the years ended December 31, 2020 and 2019, respectively. Revenue recognized over time primarily relates to customized, engineered solutions and construction services. Typically, revenue is recognized over time using the cost-to-cost input method that uses costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the

transfer of control to the customer. Contract costs include labor, material, overhead and, when appropriate, SG&A expenses. Variable consideration in these contracts includes estimates of liquidated damages, contractual bonuses and penalties, and contract modifications. Substantially all of our revenue recognized over time under the cost-to-cost input method contains a single performance obligation as the interdependent nature of the goods and services provided prevents them from being separately identifiable within the contract. Generally, we try to structure contract milestones to mirror our expected cash outflows over the course of the contract; however, the timing of milestone receipts can greatly affect our overall cash position. Refer to Note 4 for our disaggregation of revenue by product line.

As of December 31, 2020, we have estimated the costs to complete of all our in-process contracts in order to estimate revenues using a cost-to-cost input method. However, it is possible that current estimates could change due to unforeseen events, which could result in adjustments to overall contract costs. The risk on fixed-priced contracts is that revenue from the customer does not cover increases in our costs. It is possible that current estimates could materially change for various reasons, including, but not limited to, fluctuations in forecasted labor productivity, transportation, fluctuations in foreign exchange rates or steel and other raw material prices. Increases in costs on our fixed-price contracts could have a material adverse impact on our consolidated financial condition, results of operations and cash flows. Alternatively, reductions in overall contract costs at completion could materially improve our consolidated financial condition, results of operations and cash flows. Variations from estimated contract performance could result in material adjustments to operating results for any fiscal quarter or year.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract, with cumulative adjustment to revenue.

We recognize accrued claims in contract revenues for extra work or changes in scope of work to the extent of costs incurred when we believe we have an enforceable right to the modification or claim and the amount can be estimated reliably, and its realization is probable. In evaluating these criteria, we consider the contractual/legal basis for enforcing the claim, the cause of any additional costs incurred and whether those costs are identifiable or otherwise determinable, the nature and reasonableness of those costs, the objective evidence available to support the amount of the claim, and our relevant history with the counter-party that supports our expectations about their willingness and ability to pay for the additional cost along with a reasonable margin.

We generally recognize sales commissions in equal proportion as revenue is recognized. Our sales agreements are structured such that commissions are only payable upon receipt of payment, thus a capitalized asset at contract inception has not been recorded for sales commission as a liability has not been incurred at that point.

Contract balances

Contracts in progress, a current asset in our Consolidated Balance Sheets, includes revenues and related costs so recorded, plus accumulated contract costs that exceed amounts invoiced to customers under the terms of the contracts. Advance billings, a current liability in our Consolidated Balance Sheets, includes advance billings on contracts invoices that exceed accumulated contract costs and revenues and costs recognized under the cost-to-cost input method. Those balances are classified as current based on the life cycle of the associated contracts. Most long-term contracts contain provisions for progress payments. Our unbilled receivables do not contain an allowance for credit losses as we expect to invoice customers and the collection of all amounts for unbilled revenues is deemed probable. We review contract price and cost estimates each reporting period as the work progresses and reflect adjustments proportionate to the costs incurred to date relative to total estimated costs at completion in income in the period when those estimates are revised. For all contracts, if a current estimate of total contract cost indicates a loss on a contract, the projected contract loss is recognized in full through the statement of operations and an accrual for the estimated loss on the uncompleted contract is included in *other accrued liabilities* in the Consolidated Balance Sheets. In addition, when we determine that an uncompleted contract will not be completed on-time and the contract has liquidated damages provisions, we recognize the estimated liquidated damages at the most likely amount we will incur and record them as a reduction of the estimated selling price in the period the change in estimate occurs. Losses accrued in advance of the completion of a contract are included in *other accrued liabilities* in our Consolidated Balance Sheets.

Warranty expense

We accrue estimated expense included in *cost of operations* on our Consolidated Statements of Operations to satisfy contractual warranty requirements when we recognize the associated revenues on the related contracts, or in the case of a loss contract, the full amount of the estimated warranty costs is accrued when the contract becomes a loss contract. In addition, we

record specific provisions or reductions where we expect the actual warranty costs to significantly differ from the accrued estimates. Such changes could have a material effect on our consolidated financial condition, results of operations and cash flows.

Research and development

Our research and development activities are related to improving our products through innovations to reduce the cost of our products to make them more competitive and through innovations to reduce performance risk of our products to better meet our and our customers' expectations. Research and development activities totaled \$4.4 million and \$2.9 million in the years ended December 31, 2020 and 2019, respectively.

Advertising expense

Advertising expense is charged when incurred and is included in *selling, general and administrative expenses* on our Consolidated Statements of Operations. Advertising expenses in the years ended December 31, 2020 and 2019 were not significant.

Pension plans and postretirement benefits

We sponsor various defined benefit pension and postretirement plans covering certain employees of our U.S., Canadian and U.K. subsidiaries. We use actuarial valuations to calculate the cost and benefit obligations of our pension and postretirement benefits. The actuarial valuations use significant assumptions in the determination of our benefit cost and obligations, including assumptions regarding discount rates, expected returns on plan assets, mortality and health care cost trends.

We determine our discount rate based on a review of published financial data and discussions with our actuary regarding rates of return on high-quality, fixed-income investments currently available and expected to be available during the period to maturity of our pension and postretirement plan obligations. We use an alternative spot rate method for discounting the benefit obligation rather than a single equivalent discount rate because it more accurately applies each year's spot rates to the projected cash flows.

The components of benefit cost related to service cost, interest cost, expected return on plan assets and prior service cost amortization are recorded on a quarterly basis based on actuarial assumptions. In the fourth quarter of each year, or as interim remeasurements are required, we recognize net actuarial gains and losses into earnings as a component of net periodic benefit cost (mark to market ("MTM") pension adjustment). Recognized net actuarial gains and losses consist primarily of our reported actuarial gains and losses and the difference between the actual return on plan assets and the expected return on plan assets.

We recognize the funded status of each plan as either an asset or a liability in the Consolidated Balance Sheets. The funded status is the difference between the fair value of plan assets and the present value of its benefit obligation, determined on a plan-by-plan basis. See Note 13 for a detailed description of our plan assets.

Income taxes

Income tax expense for federal, foreign, state and local income taxes are calculated on taxable income based on the income tax law in effect at the latest balance sheet date and includes the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We assess the need for a valuation allowance on a quarterly basis. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in our Consolidated Financial Statements. We record interest and penalties (net of any applicable tax benefit) related to income taxes as a component of *income tax expense* on our Consolidated Statements of Operations.

Cash and cash equivalents and restricted cash

Our cash equivalents are highly liquid investments, with maturities of three months or less when we purchase them. We record cash and cash equivalents as restricted when we are unable to freely use such cash and cash equivalents for our general operating purposes.

Trade accounts receivable and allowance for doubtful accounts

Our trade accounts receivable balance is stated at the amount owed by our customers, net of allowances for estimated uncollectible balances. We maintain allowances for doubtful accounts for estimated losses expected to result from the inability of our customers to make required payments. These estimates are based on management's evaluation of the ability of customers to make payments, with emphasis on historical remittance experience, known customer financial difficulties, the age of receivable balances and any other known factors specific to a receivable. Accounts receivable are charged to the allowance when it is determined they are no longer collectible. Our allowance for doubtful accounts was \$17.2 million and \$25.1 million at December 31, 2020 and 2019, respectively. Amounts charged to selling, general and administrative expenses were \$(0.2) million and \$0.2 million for the years ended December 31, 2020 and 2019, respectively.

Inventories

We carry our inventories at the lower of cost or market. We determine cost principally on the first-in, first-out basis, except for certain materials inventories of our B&W Thermal segment, where we use the last-in, first-out ("LIFO") method. We determined the cost of approximately 20% of our total inventories using the LIFO method at December 31, 2020 and 2019, and our total LIFO reserve at December 31, 2020 and 2019 was approximately \$7.3 million and \$7.2 million, respectively. Our obsolete inventory reserve was \$7.1 million and \$6.9 million at December 31, 2020 and 2019, respectively. The components of inventories can be found in Note 6.

Property, plant and equipment

We carry our property, plant and equipment at depreciated cost, less any impairment provisions. We depreciate our property, plant and equipment using the straight-line method over estimated economic useful lives of eight to 33 years for buildings and three to 28 years for machinery and equipment. Our depreciation expense was \$11.3 million and \$19.3 million for the years ended December 31, 2020 and 2019, respectively. We expense the costs of maintenance, repairs and renewals that do not materially prolong the useful life of an asset as we incur them.

Property, plant and equipment amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or asset group, may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis. Our estimates of cash flow may differ from actual cash flow due to, among other things, technological changes, economic conditions or changes in operating performance. Any changes in such factors may negatively affect our business and result in future asset impairments.

Investments in unconsolidated joint ventures

We use the equity method of accounting for investments in joint ventures in which we are able to exert significant influence, but not control. Joint ventures in which our investment ownership is less than 20% and where we are unable to exert significant influence are carried at cost. We assess our investments in unconsolidated joint ventures for other-than-temporary-impairment when significant changes occur in the investee's business or our investment philosophy. Such changes might include a series of operating losses incurred by the investee that are deemed other-than-temporary, the inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment or a change in the strategic reasons that were important when we originally entered into the joint venture. If an other-than-temporary-impairment were to occur, we would measure our investment in the unconsolidated joint venture at fair value.

Investments in consolidated joint ventures

SPIG maintains a 60% ownership interest in a joint venture entity, which is consolidated into the B&W Environmental segment results.

Goodwill

Goodwill represents the excess of the cost of our acquired businesses over the fair value of the net assets acquired. We perform testing of goodwill for impairment annually or when impairment indicators are present. We may elect to perform a qualitative test when we believe that there is substantially in excess fair value over carrying value based on our most recent

quantitative assessment, adjusted for relevant events and circumstances that could affect fair value during the current year. If we conclude based on this assessment that it is more likely than not that the reporting unit is not impaired, we do not perform a quantitative impairment test. In all other circumstances, we perform a quantitative impairment test to identify potential goodwill impairment and measure the amount of any goodwill impairment. Goodwill impairment tests recognize impairment for the amount that the carrying value of a reporting unit exceeds its fair value up to the remaining amount of goodwill.

Intangible assets

Intangible assets are recognized at fair value when acquired. Intangible assets with definite lives are amortized to operating expense using the straight-line method over their estimated useful lives and tested for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Intangible assets with indefinite lives are not amortized and are subject to impairment testing at least annually or in interim periods when impairment indicators are present. We may elect to perform a qualitative assessment when testing indefinite lived intangible assets for impairment to determine whether events or circumstances affecting significant inputs related to the most recent quantitative evaluation have occurred, indicating that it is more likely than not that the indefinite lived intangible asset is impaired. Otherwise, we test indefinite lived intangible assets for impairment by determining the fair value of the indefinite lived intangible asset and comparing the fair value of the intangible asset to its carrying amount. If the carrying amount of the intangible asset exceeds its fair value, we recognize impairment for the amount of the difference.

Derivative financial instruments

Derivative assets and liabilities usually consist of FX forward contracts. Where applicable, the value of these derivative assets and liabilities is computed by discounting the projected future cash flow amounts to present value using market-based observable inputs, including FX forward and spot rates, interest rates and counterparty performance risk adjustments. As of December 31, 2020, we do not hold any derivative assets or liabilities; the last of our derivative contracts were sold during the first quarter of 2019.

Self-insurance

We have a wholly owned insurance subsidiary that provides employer's liability, general and automotive liability and workers' compensation insurance and, from time to time, builder's risk insurance (within certain limits) to our companies. We may also, in the future, have this insurance subsidiary accept other risks that we cannot or do not wish to transfer to outside insurance companies. Included in *other non-current liabilities* on our Consolidated Balance Sheets are reserves for self-insurance totaling \$11.6 million and \$15.7 million as of December 31, 2020 and 2019, respectively.

Loss contingencies

We estimate liabilities for loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. We provide disclosure when there is a reasonable possibility that the ultimate loss will exceed the recorded provision or if such probable loss is not reasonably estimable. We are currently involved in some significant litigation, as discussed in Note 19. Our losses are typically resolved over long periods of time and are often difficult to assess and estimate due to, among other reasons, the possibility of multiple actions by third parties; the attribution of damages, if any, among multiple defendants; plaintiffs, in most cases involving personal injury claims, do not specify the amount of damages claimed; the discovery process may take multiple years to complete; during the litigation process, it is common to have multiple complex unresolved procedural and substantive issues; the potential availability of insurance and indemnity coverages; the wide-ranging outcomes reached in similar cases, including the variety of damages awarded; the likelihood of settlements for de minimis amounts prior to trial; the likelihood of success at trial; and the likelihood of success on appeal. Consequently, it is possible future earnings could be affected by changes in our assessments of the probability that a loss has been incurred in a material pending litigation against us and/or changes in our estimates related to such matters.

Loss recoveries

We recognize loss recoveries and provide disclosures only when receipt of the recovery is probable and we are able to reasonably estimate the amount of the recovery. Our loss recoveries are typically resolved over long periods of time and are often difficult to assess and estimate due to, among other reasons, the possibility of multiple actions by third parties, multiple complex unresolved procedural and substantive issues; the wide-ranging outcomes reached in similar cases, including the variety of losses incurred. Consequently, it is possible future earnings could be affected by changes in our assessments of the probability that a loss recovery has been recognized and/or changes in our estimates related to such matters. See Note 5 for discussion regarding the loss recovery recognized in 2020 and 2019.

Stock-based compensation

The fair value of equity-classified awards, such as restricted stock, performance shares and stock options, is determined on the date of grant and is not remeasured. The fair value of liability-classified awards, such as cash-settled stock appreciation rights, restricted stock units and performance units, is determined on the date of grant and is remeasured at the end of each reporting period through the date of settlement. Fair values for restricted stock, restricted stock units, performance shares and performance units are determined using the closing price of our common stock on the date of grant. Fair values for stock options are determined using a Black-Scholes option-pricing model (“Black-Scholes”). For performance shares or units that contain a Relative Total Shareholder Return vesting criteria and for stock appreciation rights, we utilize a Monte Carlo simulation to determine the fair value, which determines the probability of satisfying the market condition included in the award. The determination of the fair value of a share-based payment award using an option-pricing model or a Monte Carlo simulation requires the input of significant assumptions, such as the expected life of the award and stock price volatility.

We recognize expense for all stock-based awards granted on a straight-line basis over the requisite service periods of the awards, which is generally equivalent to the vesting term. For liability-classified awards, changes in fair value are recognized through cumulative catch-ups each period. Excess tax benefits on stock-based compensation are to be presented as a financing cash flow, rather than as a reduction of taxes paid. These excess tax benefits result from tax deductions in excess of the cumulative compensation expense recognized for options exercised and other equity-classified awards. See Note 17 for further discussion of stock-based compensation.

Recently adopted accounting standards

Effective January 1, 2020, we adopted ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The new guidance requires companies acting as the customer in a cloud hosting service arrangement to follow the requirements of ASC 350-40 for capitalizing implementation costs for internal-use software and requires the amortization of these costs over the life of the related service contract. The impact of this standard on our consolidated financial statements was immaterial.

NOTE 3 – EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per share of our common stock, net of non-controlling interest:

(in thousands, except per share amounts)	Year ended December 31,	
	2020	2019
Loss from continuing operations	\$ (12,118)	\$ (122,668)
Income from discontinued operations, net of tax	1,800	694
Net loss attributable to stockholders	\$ (10,318)	\$ (121,974)
Weighted average shares used to calculate basic and diluted earnings per share	48,710	31,514
Basic and diluted (loss) earnings per share:		
Continuing operations	\$ (0.25)	\$ (3.89)
Discontinued operations	0.04	0.02
Basic and diluted loss per share	\$ (0.21)	\$ (3.87)

In July 2019, the Company completed a rights offering to existing common stockholders (the “2019 Rights Offering”). Because the rights issuance was offered to all existing stockholders at an exercise price that was less than the fair value of our Common Stock, as of such time, the weighted average shares outstanding and basic and diluted earnings (loss) per share were adjusted retroactively to reflect the bonus element of the rights offering for all periods presented by a factor of 1.0875. Weighted average shares, prior to giving effect to the 2019 Rights Offering, in 2019 were 11,635 thousand.

Because we incurred a net loss in the years ended December 31, 2020 and 2019, respectively basic and diluted shares are the same. If we had net income in years ended December 31, 2020 and 2019 diluted shares would include an additional 610.9 thousand and 150.0 thousand shares, respectively.

We excluded 1.3 million and 0.3 million shares related to stock options from the diluted share calculation for the years ended December 31, 2020 and 2019, respectively, because their effect would have been anti-dilutive.

NOTE 4 – SEGMENT REPORTING

Effective September 30, 2020 as part of our strategic, market-focused organizational and re-branding initiative to accelerate growth and provide stakeholders improved visibility into our renewable and environmental growth platforms, we realigned certain businesses and management structure to recognize how we allocate resources and analyze the operating performance of our businesses. This realignment changed our reportable segments beginning with our third quarter of 2020. All periods have been recast to reflect this change. Our operations are assessed based on three reportable segments as described in Note 2. Revenues exclude eliminations of revenues generated from sales to other segments or to other product lines within the segment. An analysis of our operations by segment is as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Revenues:		
B&W Renewable segment		
B&W Renewable	\$ 89,790	\$ 94,119
Vølund	66,397	111,432
	<u>156,187</u>	<u>205,551</u>
B&W Environmental segment		
B&W Environmental	45,186	184,477
SPIG	52,341	80,729
BWV-AB	10,441	10,429
	<u>107,968</u>	<u>275,635</u>
B&W Thermal segment		
B&W Thermal	304,968	409,744
	<u>304,968</u>	<u>409,744</u>
Eliminations	(2,806)	(31,819)
	<u>\$ 566,317</u>	<u>\$ 859,111</u>

The presentation of the components of our adjusted EBITDA in the table below is consistent with the way our chief operating decision maker reviews the results of our operations and makes strategic decisions about our business. Items such as gains or losses on asset sales, MTM pension adjustments, restructuring and spin costs, impairments, losses on debt extinguishment, costs related to financial consulting required under our U.S. Revolving Credit Facility and other costs that may not be directly controllable by segment management are not allocated to the segments.

Adjusted EBITDA for each segment is presented below with a reconciliation to net loss attributable to stockholders.

(in thousands)	Year ended December 31,	
	2020	2019
Adjusted EBITDA ⁽¹⁾⁽²⁾		
B&W Renewable segment	\$ 24,957	\$ 1,617
B&W Environmental segment	3,474	12,512
B&W Thermal segment	35,435	51,353
Corporate	(14,425)	(17,579)
Research and development costs	(4,379)	(2,861)
	<u>45,062</u>	<u>45,042</u>
Restructuring activities	(11,849)	(11,707)
Financial advisory services	(4,384)	(9,069)
Settlement cost to exit Vølund contract ⁽³⁾	—	(6,575)
Advisory fees for settlement costs and liquidity planning	(6,357)	(11,824)
Litigation fees and settlement	(2,137)	(475)
Loss on business held for sale	(467)	(5,850)
Stock compensation	(4,587)	(3,376)
Interest on letters of credit included in cost of operations	(917)	(365)
Depreciation & amortization	(16,805)	(23,605)
Loss from a non-strategic business	(2,559)	(5,518)
Gain on asset disposals, net	3,263	3,940
Operating loss	<u>(1,737)</u>	<u>(29,382)</u>
Interest expense, net	(59,150)	(93,978)
Loss on debt extinguishment	(6,194)	(3,969)
Loss on sale of business	(108)	(3,601)
Net pension benefit before MTM	28,754	13,996
MTM (loss) gain from benefit plans	(23,154)	8,804
Foreign exchange	58,799	(16,602)
Other – net	(1,128)	285
Total other expense	<u>(2,181)</u>	<u>(95,065)</u>
Loss before income tax expense	<u>(3,918)</u>	<u>(124,447)</u>
Income tax expense	8,179	5,286
Loss from continuing operations	<u>(12,097)</u>	<u>(129,733)</u>
Income from discontinued operations, net of tax	1,800	694
Net loss	<u>(10,297)</u>	<u>(129,039)</u>
Net (income) loss attributable to non-controlling interest	(21)	7,065
Net loss attributable to stockholders	<u>\$ (10,318)</u>	<u>\$ (121,974)</u>

⁽¹⁾ During the year ended December 31, 2020, we redefined our definition of adjusted EBITDA to eliminate the effects of certain items including loss from a non-strategic business, interest on letters of credit included in cost of operations and loss on business held for sale. Consequently, adjusted EBITDA in prior periods have been revised to conform with the revised definition and present separate reconciling items in our reconciliation.

⁽²⁾ Adjusted EBITDA for the year ended December 31, 2020, includes the recognition of a \$26.0 million loss recovery settlement related to certain historical EPC loss contracts in the third quarter.

⁽³⁾ In March 2019, we entered into a settlement in connection with an additional B&W Renewable waste-to-energy EPC contract, for which notice to proceed was not given and the contract was not started. The settlement eliminated our obligations to act, and our risk related to acting, as the prime EPC should the project have moved forward.

We do not separately identify or report our assets by segment as our chief operating decision maker does not consider assets by segment to be a critical measure by which performance is measured.

We provide our products and services to a diverse customer base that includes utilities and other power producers located around the world. We have no customers that individually account for more than 10% of our consolidated revenues for the years ended December 31, 2020 and 2019.

We estimate that 43% and 45% of our consolidated revenues in 2020 and 2019, respectively, were related to coal-fired power plants. The availability of natural gas in great supply has caused, in part, low prices for natural gas in the United States, which has led to more demand for natural gas relative to energy derived from coal. A material decline in spending by electric power generating companies and other steam-using industries on coal-fired power plants over a sustained period of time could materially and adversely affect the demand for our power generation products and services and, therefore, our financial condition, results of operations and cash flows. Coal-fired power plants have been scrutinized by environmental groups and government regulators over the emissions of potentially harmful pollutants. This scrutiny and other economic incentives including tax advantages, have promoted the growth of nuclear, wind and solar power, among others, and a decline in cost of renewable power plant components and power storage. The recent economic environment and uncertainty concerning new environmental legislation or replacement rules or regulations in the United States and elsewhere has caused many of our major customers, principally electric utilities, to delay making substantial expenditures for new plants, and delay upgrades to existing power plants.

Information about our consolidated operations in different geographic areas

(in thousands)	Year ended December 31,	
	2020	2019
REVENUES ⁽¹⁾		
United States	\$ 310,958	\$ 460,484
Canada	43,936	113,660
Denmark	28,590	27,311
United Kingdom	25,811	54,347
Indonesia	19,644	16,739
Sweden	11,430	18,789
China	8,461	18,430
Finland	6,606	14,118
South Korea	4,050	14,443
Aggregate of all other countries, each with less than \$10 million in revenues	106,831	120,790
	<u>\$ 566,317</u>	<u>\$ 859,111</u>

⁽¹⁾ We allocate geographic revenues based on the location of the customer's operations.

(in thousands)	Year ended December 31,	
	2020	2019
NET PROPERTY, PLANT AND EQUIPMENT, AND FINANCE LEASE		
United States	\$ 46,734	\$ 61,111
Mexico	18,173	19,241
Denmark	7,327	6,801
United Kingdom	5,274	5,469
China	889	76
Aggregate of all other countries	6,681	4,355
	<u>\$ 85,078</u>	<u>\$ 97,053</u>

NOTE 5 – REVENUE RECOGNITION AND CONTRACTS

Revenue Recognition

We generate the vast majority of our revenues from the supply of, and aftermarket services for, steam-generating, environmental and auxiliary equipment. We also earn revenue from the supply of custom-engineered cooling systems for

steam applications along with related aftermarket services. Our revenue recognition accounting policy is described in more detail in Note 2.

Contract Balances

The following represents the components of our *contracts in progress* and *advance billings on contracts* included in our Consolidated Balance Sheets:

(in thousands)	December 31, 2020	December 31, 2019	\$ Change	% Change
Contract assets - included in contracts in progress:				
Costs incurred less costs of revenue recognized	\$ 25,888	\$ 29,877	\$ (3,989)	(13)%
Revenues recognized less billings to customers	33,420	61,702	(28,282)	(46)%
Contracts in progress	\$ 59,308	\$ 91,579	\$ (32,271)	(35)%
Contract liabilities - included in advance billings on contracts:				
Billings to customers less revenues recognized	\$ 61,884	\$ 76,468	\$ (14,584)	(19)%
Costs of revenue recognized less cost incurred	2,118	(1,181)	3,299	(279)%
Advance billings on contracts	\$ 64,002	\$ 75,287	\$ (11,285)	(15)%
Net contract balance	\$ (4,694)	\$ 16,292	\$ (20,986)	129%
Accrued contract losses	\$ 582	\$ 6,139	\$ (5,557)	(91)%

The following amounts represent retainage on contracts:

(in thousands)	December 31, 2020	December 31, 2019	\$ Change	% Change
Retainage expected to be collected within one year	\$ 2,969	\$ 474	\$ 2,495	526%
Retainage expected to be collected after one year	632	5,739	(5,107)	(89)%
Total retainage	\$ 3,601	\$ 6,213	\$ (2,612)	(42)%

We have included retainage expected to be collected in 2020 in *accounts receivable – trade, net* in our Consolidated Balance Sheets. Retainage expected to be collected after one year are included in *other assets* in our Consolidated Balance Sheets. Of the long-term retainage at December 31, 2020, we anticipate collecting \$0.6 million in 2022.

Backlog

On December 31, 2020 we had \$535.0 million of remaining performance obligations, which we also refer to as total backlog. We expect to recognize approximately 56.4%, 12.9% and 30.7% of our remaining performance obligations as revenue in 2021, 2022 and thereafter, respectively.

Changes in Contract Estimates

In the years ended December 31, 2020 and 2019, we recognized changes in estimated gross profit related to long-term contracts accounted for on the percentage-of-completion basis, which are summarized as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Increases in gross profits for changes in estimates for over time contracts ⁽¹⁾	\$ 43,597	\$ 34,622
Decreases in gross profits for changes in estimates for over time contracts	(17,480)	(50,050)
Net changes in gross profits for changes in estimates for over time contracts	\$ 26,117	\$ (15,428)

⁽¹⁾ Increases in gross profits for changes in estimates for over time contracts reflects insurance loss recovery of \$26.0 million in the year ended December 31, 2020.

B&W Renewable EPC Loss Contracts

We had six B&W Renewable EPC contracts for renewable energy facilities in Europe that were loss contracts at December 31, 2017. The scope of these EPC (Engineer, Procure and Construct) contracts extended beyond our core technology, products and services. In addition to these loss contracts, we had one remaining extended scope contract in our B&W Renewable segment which turned into a loss contract in 2019.

In the years ended December 31, 2020 and 2019, we recorded \$3.7 million and \$6.9 million in net losses, respectively, inclusive of warranty expense as described in Note 11, resulting from changes in the estimated revenues and costs to complete the six European B&W Renewable EPC loss contracts. We did not change our estimate of liquidated damages in the year ended December 31, 2020. The changes in estimates in the year ended December 31, 2019 included increases in our estimates of anticipated liquidated damages that reduced revenue associated with these six contracts by \$1.8 million. Total anticipated liquidated damages associated with these six contracts were \$95.6 million and \$86.8 million at December 31, 2020 and December 31, 2019, respectively.

As of December 31, 2019, five of the six European B&W Renewable EPC loss contracts had been turned over to the customer, with only punch list or agreed remediation items and performance testing remaining, some of which are expected to be performed during the customers' scheduled maintenance outages. Turnover is not applicable to the fifth loss contract under the terms of the March 29, 2019 settlement agreement with the customers of the second and fifth loss contracts, who are related parties to each other. Under that settlement agreement, we limited our remaining risk related to these contracts by paying a combined £70 million (\$91.5 million) on April 5, 2019 in exchange for limiting and further defining our obligations under the second and fifth loss contracts, including waiver of the rejection and termination rights on the fifth loss contract that could have resulted in repayment of all monies paid to us and our former civil construction partner (up to approximately \$144 million), and requirement to restore the property to its original state if the customer exercised this contractual rejection right. On the fifth loss contract, we agreed to continue to support construction services to complete certain key systems of the plant by May 31, 2019, for which penalty for failure to complete these systems is limited to the unspent portion of our quoted cost of the activities through that date. The settlement eliminated all historical claims and remaining liquidated damages. In accordance with the settlement, we have no further obligation related to the fifth loss contract other than customary warranty of core products if the plant is used as a biomass plant as designed. We estimated the portion of this settlement related to waiver of the rejection right on the fifth loss contract was \$81.1 million, which was recorded in the fourth quarter of 2018 as a reduction in the selling price. We continue to pursue claims against subcontractors. For the second loss contract, the settlement limited the remaining performance obligations and settled historic claims for nonconformance and delays, and we turned over the plant in May 2019, and subsequently began the operations and maintenance contract to operate this plant.

As of December 31, 2020, the status of these six B&W Renewable EPC loss contracts was as follows:

- The first contract, a waste-to-energy plant in Denmark, became a loss contract in 2016. As of December 31, 2020, this contract was approximately 100% complete and construction activities are complete as of the date of this report. The unit became operational during the second quarter of 2017. A settlement was reached with the customer to achieve takeover on January 31, 2019, after which only punch list items and other agreed to remediation items remain, most of which are expected to be performed during the customer's scheduled maintenance outages. As of January 31, 2019, the contract is in the warranty phase. On January 15, 2021 we reached agreement with the customer to achieve final takeover which completes the base warranty period and confirms the agreed to remaining remediation items. During the year ended December 31, 2020, we recognized additional contract losses of \$2.7 million, inclusive of warranty. Our estimate at completion as of December 31, 2020 includes \$9.8 million of total expected liquidated damages. As of December 31, 2020, the reserve for estimated contract losses recorded in *other accrued liabilities* in our Consolidated Balance Sheets was \$0.1 million. In the year ended December 31, 2019, we recognized additional contract losses of \$2.3 million as a result of identifying additional remediation costs. As of December 31, 2019, this contract had \$1.1 million of accrued losses and was approximately 99% complete.
- The second contract, a biomass plant in the United Kingdom, became a loss contract in 2016. As of December 31, 2020, this contract was approximately 100% complete. Trial operations began in April 2019 and takeover by the customer occurred effective May 2019. This project is subject to the March 29, 2019 settlement agreement described above. During the year ended December 31, 2020, we recognized additional contract losses of \$0.7 million on this contract, inclusive of warranty, as a result of additional punch list and other commissioning costs. Our estimate at completion as of December 31, 2020 includes \$20.6 million of total expected liquidated damages due to schedule delays. Our estimates at completion as of December 31, 2020 and 2019 also include contractual bonus opportunities for guaranteed higher power output and other performance metrics. As of December 31, 2020, the reserve for estimated contract losses recorded in *other accrued liabilities* in our Consolidated Balance Sheets was \$0.1 million.

In the year ended December 31, 2019, we recognized contract losses of \$2.3 million on this contract as a result of repairs required during startup commissioning activities, additional expected punch list and other commissioning costs, and changes in construction cost estimates. As of December 31, 2019, this contract had no accrued losses and was approximately 100% complete.

- The third contract, a biomass plant in Denmark, became a loss contract in 2016. As of December 31, 2020, this contract was approximately 100% complete. Warranty began in March 2018, when we agreed to a partial takeover with the customer, and we agreed to a full takeover by the customer at the end of October 2018, when we also agreed to a scheduled timeline for remaining punch list activities to be completed around the customer's future planned outages. During the year ended December 31, 2020, we recognized additional contract losses of \$1.1 million, inclusive of warranty. Our estimate at completion as of December 31, 2020 includes \$7.3 million of total expected liquidated damages due to schedule delays. As of December 31, 2020, we expect no future charges due to this contract and, accordingly, we have no reserve for estimated contract losses. In the year ended December 31, 2019, we recognized additional contract losses of \$0.1 million as a result of changes in the estimated costs at completion. As of December 31, 2019, this contract had no accrued losses and was approximately 100% complete.
- The fourth contract, a biomass plant in the United Kingdom, became a loss contract in 2016. As of December 31, 2020, this contract was approximately 100% complete. Trial operations began in November 2018 and takeover by the customer occurred in February 2019, after which only final performance testing, for which performance metrics have been previously demonstrated, and punch list and other agreed upon items remain, some of which are expected to be performed during the customer's scheduled maintenance outages. During the year ended December 31, 2020, we recognized additional contract losses of \$1.1 million on this contract, inclusive of warranty, due to changes in cost to complete remaining punch list items and other close out items. Our estimate at completion as of December 31, 2020 includes \$22.5 million of total expected liquidated damages due to schedule delays. Our estimates at completion as of December 31, 2020 also include contractual bonus opportunities for guaranteed higher power output and other performance metrics. As of December 31, 2020, the reserve for estimated contract losses recorded in *other accrued liabilities* in our Consolidated Balance Sheets was \$0.1 million. In the year ended December 31, 2019, we recognized additional contract losses of \$5.2 million on this contract due to changes in estimated bonus revenue and cost to complete remaining punch list, remediation of certain performance guarantees and other close out items. As of December 31, 2019, this contract had \$0.2 million of accrued losses and was approximately 100% complete.
- The fifth contract, a biomass plant in the United Kingdom, became a loss contract in 2017. As of December 31, 2020, this contract was approximately 100% complete. This project is subject to the March 29, 2019 settlement agreement described above. We estimated the portion of this settlement related to waiver of the rejection right on the fifth loss contract was \$81.1 million, which was recorded in the fourth quarter of 2018 as a reduction in the selling price. We continue to pursue claims against subcontractors. Under the settlement, our remaining performance obligations were limited to construction support services to complete certain key systems of the plant by May 31, 2019. The settlement also eliminated all historical claims and remaining liquidated damages. Remaining items at December 31, 2020 primarily related to subcontract close outs and other finalization items under the terms of the settlement. During the year ended December 31, 2020, our estimated loss on the contract improved by \$0.4 million. Our estimate at completion as of December 31, 2020, includes \$14.7 million of total expected liquidated damages due to schedule delays. Our estimates at completion as of December 31, 2020 also include contractual bonus opportunities for guaranteed higher power output and other performance metrics. As of December 31, 2020, we expect no future charges due to this contract and, accordingly, we have no reserve for estimated contract losses. During the year ended December 31, 2019, our estimated loss on the contract improved by \$5.6 million inclusive of warranty. As of December 31, 2019, this contract had \$2.4 million of accrued losses and was approximately 98% complete.
- The sixth contract, a waste-to-energy plant in the United Kingdom, became a loss contract in 2017. As of December 31, 2020, this contract was approximately 100% complete. The contract is in the warranty phase. During the year ended December 31, 2020, our estimated loss on the contract improved by \$1.5 million, inclusive of warranty. Our estimate at completion as of December 31, 2020 includes \$20.6 million of total expected liquidated damages due to schedule delays. As of December 31, 2020, we expect no future charges due to this contract and, accordingly, we have no reserve for estimated contract losses. In the year ended December 31, 2019, we revised our revenue and costs at completion for this contract, which resulted in additional contract losses of \$2.5 million related to matters encountered in completing punch list items. As of December 31, 2019, this contract had \$0.3 million of accrued losses and was approximately 99% complete.

In the fourth quarter of 2019, one of our other B&W Renewable energy contracts turned into a loss contract (estimate loss of \$0.2 million) due to the extension of time and other start-up costs associated with the completion of the trial operations run and turnover to the client. This contract was turned over to the client in October 2019. During the years ended December 31, 2020 and 2019, we recognized additional charges of \$2.5 million and \$3.4 million, respectively, on this contract.

In September 2017, we identified the failure of a structural steel beam on the fifth contract, which stopped work in the boiler building and other areas pending corrective actions to stabilize the structure. Provisional regulatory approval to begin structural repairs to the failed beam was obtained on March 29, 2018 (later than previously estimated), and full approval to proceed with repairs was obtained in April 2018. Full access to the site was obtained on June 6, 2018 after completion of the repairs to the structure. The engineering, design and manufacturing of the steel structure were the responsibility of our subcontractors. A similar design was also used on the second and fourth contracts, and although no structural failure occurred on these two other contracts, work was also stopped in certain restricted areas while we added reinforcement to the structures, which also resulted in delays that lasted until late January 2018. The total costs related to the structural steel issues on these three contracts, including contract delays, are estimated to be approximately \$36 million, which is included in the December 31, 2020 estimated losses at completion for these three contracts. We continue to pursue recovery of this cost from responsible subcontractors. In June 2019, we agreed in principle to a settlement agreement under one insurance policy related to recover GBP 2.8 million (\$3.5 million) of certain losses on the fifth project; which our insurer paid us in September 2019.

In October 2020, we entered into a settlement agreement with an insurer under which we received a settlement of \$26.0 million to settle claims in connection with five of six European B&W Renewable EPC loss contracts disclosed above. We recognized this loss recovery of \$26.0 million as a reduction of our *Cost of operations* in our Consolidated Statements of Operations. On October 23, 2020, we received \$26.0 million of gross proceeds under the settlement agreement. As required by the Company's U.S. Revolving Credit Facility, 50% of the net proceeds (gross proceeds less costs) or \$8.0 million of the settlement received by the Company was applied as a permanent reduction of the U.S. Revolving Credit Facility in October 2020.

The Company is continuing to pursue other potential loss recoveries and claims where appropriate and available.

Other B&W Renewable Contract Settlement

In March 2019, we entered into a settlement in connection with an additional European waste-to-energy EPC contract, for which notice to proceed was not given and the contract was not started. The £5.0 million (approximately \$6.6 million) payment on April 5, 2019 for the settlement eliminated our obligations to act, and our risk related to acting, as the prime EPC should the project have moved forward.

B&W Environmental Loss Contracts

At December 31, 2020, the B&W Environmental segment had two significant loss contracts, each of which are contracts for a dry cooling system for a gas-fired power plant in the United States. In the years ended December 31, 2020 and 2019, we recorded \$1.3 million and \$5.6 million in net losses, respectively, resulting from changes in estimated revenue and cost to complete these two loss contracts.

At December 31, 2020, construction and procurement are complete on the first loss contract. Overall, the contract is approximately 100% complete as of 2020 with only warranty obligations remaining. As of December 31, 2020, we have no reserve for estimated contract losses. As of December 31, 2019, this contract had accrued losses of \$0.1 million and was approximately 99% complete. Construction is being performed by the B&W Thermal segment, but the contract loss is included in the B&W Environmental segment.

At December 31, 2020, the design and procurement are nearing completion on the second loss contract. Overall, the contract is approximately 99% complete and final completion is expected to be in the first quarter of 2021. During the year ended December 31, 2020, we recognized additional contract losses of \$1.3 million on this contract due to issues with the seismic design and fan screens. As of December 31, 2020, the reserve for estimated contract losses recorded in *other accrued liabilities* in our Consolidated Balance Sheets was \$0.1 million related to this contract. In the year ended December 31, 2019, we recognized additional contract losses of \$3.3 million on this contract due to issues with seismic design and fan screens. As of December 31, 2019, this contract had accrued losses of \$0.9 million and was 87% complete.

NOTE 6 – INVENTORIES

The components of inventories are as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Raw materials and supplies	\$ 46,659	\$ 42,685
Work in progress	8,195	7,502
Finished goods	12,307	12,916
Total inventories	<u>\$ 67,161</u>	<u>\$ 63,103</u>

NOTE 7 – PROPERTY, PLANT & EQUIPMENT, & FINANCE LEASE

Property, plant and equipment, and finance lease less accumulated depreciation is as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Land	\$ 1,584	\$ 2,998
Buildings	34,207	84,005
Machinery and equipment	151,399	154,016
Property under construction	5,336	6,204
	<u>192,526</u>	<u>247,223</u>
Less accumulated depreciation	135,925	180,562
Net property, plant and equipment	<u>56,601</u>	<u>66,661</u>
Finance lease	30,551	30,405
Less finance lease accumulated amortization	2,074	13
Net property, plant and equipment, and finance lease	<u>\$ 85,078</u>	<u>\$ 97,053</u>

In December 2019, we consolidated all of our Barberton and most of our Copley, Ohio operations into new, leased office space in Akron, Ohio and \$4.9 million of accelerated depreciation was recognized during the year ended December 31, 2019.

NOTE 8 – GOODWILL

The following summarizes the changes in the net carrying amount of goodwill as of December 31, 2020 after giving effect to the reallocation of our goodwill across our new reportable segments as more fully described below:

(in thousands)	B&W Renewable	B&W Environmental	B&W Thermal	Total
Balance at December 31, 2019	\$ 10,169	\$ 5,652	\$ 31,339	\$ 47,160
Currency translation adjustments	42	21	140	203
Balance at December 31, 2020	<u>\$ 10,211</u>	<u>\$ 5,673</u>	<u>\$ 31,479</u>	<u>\$ 47,363</u>

Goodwill is tested for impairment annually and when impairment indicators exist. No impairment was recorded during the years ended December 31, 2020 and December 31, 2019. Because the B&W Thermal, B&W Construction Co., LLC, B&W Renewable and B&W Environmental reporting units each had negative carrying values, reasonable changes in assumptions would not indicate impairment.

In conducting the annual impairment test for goodwill, the Company has the option to first assess qualitative factors to determine whether it is more likely than not the fair value of any reporting unit is less than its carrying amount. If the Company elects to perform a qualitative assessment and determines an impairment is more likely than not, the Company is required to perform a quantitative impairment test. Otherwise, no further analysis is required. Alternatively, the Company may elect to proceed directly to the quantitative impairment test.

During the annual goodwill impairment testing as of October 1, 2020, the Company first assessed qualitative factors to determine whether it was necessary to perform the quantitative impairment test. Based on the assessment of qualitative

factors, including the fact that the company had performed a quantitative impairment test as of September 30, 2020, it was determined that it is not more likely than not the fair value of any reporting unit was less than its carrying amount. No impairment charges were recorded as a result of the qualitative testing performed.

On September 30, 2020, the previous Babcock & Wilcox and Babcock & Wilcox Construction Co., LLC reporting units became the B&W Thermal and B&W Construction Co., LLC reporting units, respectively, within the Babcock & Wilcox Thermal operating segment. The Company also identified the B&W Renewable and B&W Environmental reporting units related to the transfer of businesses from the former Babcock & Wilcox reporting unit to the Babcock & Wilcox Renewable and Babcock & Wilcox Environmental operating segments. Consequently, the Company re-allocated goodwill between the affected reporting units based on their relative fair values and compared the carrying value to the fair value of each impacted reporting unit. In conjunction with the changes mentioned above, the Company determined that this represented a triggering event for an interim goodwill assessment and performed a goodwill impairment test of the impacted reporting units on a before and after basis and based on the assessment, as of September 30, 2020, concluded that the fair value of the impacted reporting units exceeded their carrying values. Accordingly, no impairment was indicated during the interim assessment, as of September 30, 2020.

In the first quarter of 2020, our share price declined significantly, which we considered to be a triggering event for an interim goodwill assessment. We primarily attributed the significant decline in our share price to the current macroeconomic conditions and impacts COVID-19 will have on our operations. Based on the interim assessment, as of March 31, 2020, no impairment was indicated during the first quarter of 2020.

No impairment indicators were identified during 2019.

NOTE 9 – INTANGIBLE ASSETS

Our intangible assets are as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Definite-lived intangible assets		
Customer relationships	\$ 24,862	\$ 24,440
Unpatented technology	15,713	14,917
Patented technology	2,642	2,598
Tradenname	13,088	12,372
All other	9,262	9,225
Gross value of definite-lived intangible assets	65,567	63,552
Customer relationships amortization	(19,537)	(18,616)
Unpatented technology amortization	(6,751)	(5,245)
Patented technology amortization	(2,593)	(2,476)
Tradenname amortization	(4,831)	(4,257)
All other amortization	(9,252)	(8,963)
Accumulated amortization	(42,964)	(39,557)
Net definite-lived intangible assets	\$ 22,603	\$ 23,995
Indefinite-lived intangible assets		
Trademarks and trade names	\$ 1,305	\$ 1,305
Total intangible assets, net	\$ 23,908	\$ 25,300

The following summarizes the changes in the carrying amount of intangible assets:

(in thousands)	Year ended December 31,	
	2020	2019
Balance at beginning of period	\$ 25,300	\$ 30,793
Amortization expense	(3,406)	(4,274)
Currency translation adjustments and other	2,014	(1,219)
Balance at end of the period	\$ 23,908	\$ 25,300

Amortization of intangible assets is included in *cost of operations* and *SG&A* in our Consolidated Statement of Operations but is not allocated to segment results.

Estimated future intangible asset amortization expense is as follows (in thousands):

	Amortization Expense
Year ending December 31, 2021	\$ 3,369
Year ending December 31, 2022	3,323
Year ending December 31, 2023	3,322
Year ending December 31, 2024	3,250
Year ending December 31, 2025	2,661
Thereafter	6,678

Long-lived assets, including definite-lived intangible assets are reviewed for impairment whenever circumstances indicate that the carrying amount might not be recoverable. The circumstances leading to the first quarter interim goodwill assessment as described in Note 8 also triggered an evaluation of long-lived assets, including intangible assets. The Company performed an analysis as required by ASC 360-10-35 to assess the recoverability of other long-lived assets in its B&W Renewable and B&W Environmental asset groups. With respect to these asset groups the sum of the undiscounted cash flows and the residual value of the primary assets exceeded the carrying value of both the B&W Vølund and B&W SPIG asset groups and no impairment was indicated during the first quarter of 2020.

Interim impairment testing was performed for the B&W Renewable and B&W Environmental asset groups due to continued net operating losses and significant decreases in revenues experienced during 2019. In our interim test as of September 30, 2019, the sum of the undiscounted cash flows and the residual value of the primary assets exceeded the carrying value of both the B&W Renewable and B&W Environmental asset groups and no impairment was indicated.

As of December 31, 2020 and 2019, the B&W Vølund asset group had \$0.5 million and \$1.1 million of identifiable intangible assets, net of accumulated amortization, respectively.

As of December 31, 2020 and 2019, the B&W SPIG asset group had \$21.1 million and \$21.6 million of identifiable intangible assets, net of accumulated amortization, respectively.

We believe the estimates and assumptions utilized in our interim impairment testing are reasonable. However, actual results could differ substantially from those used in our valuations. To the extent such factors result in a failure to achieve the level of undiscounted forecasted cash flows used to estimate fair value for the purpose determining whether or not an impairment calculation should be performed for the intangible assets, or if we committed to a strategy to sell one or more of the reporting units in the near future as we continue to reevaluate our ongoing operations, we may be required to record non-cash impairment charges in the future which could have an adverse impact on our business, financial condition and results of operations.

NOTE 10 – LEASES

Accounting for Leases

We determine if an arrangement is a lease at inception. Operating leases are included in *right-of-use* (“ROU”) *assets*, *operating lease liabilities* and *non-current operating lease liabilities* in the Consolidated Balance Sheets. Finance leases are included in *net property, plant and equipment*, and *finance lease, other accrued liabilities* and *other non-current finance liabilities* in the Consolidated Balance Sheets. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As substantially all of our leases do not provide an

implicit rate, we use our incremental borrowing rate based on the information available at lease commencement date in determining the present value of future payments. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The ROU assets also include any prepaid lease payments made and initial direct costs incurred and excludes lease incentives. Our lease terms may include options to extend or terminate the lease, which we recognize when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

For leases beginning in 2019 and later, we account for lease components (e.g., fixed payments including rent) together with the non-lease components (e.g., common-area maintenance costs) as a single lease component for all classes of underlying assets.

In December 2019, we consolidated all of our Barberton and most of our Copley, Ohio operations into new leased office space in Akron, Ohio as described in Note 7. The lease is classified as a finance lease and has an initial term of fifteen years, with an option to extend up to two additional ten-year terms and no option of early termination. As we are not reasonably certain to exercise the option to extend the lease beyond the initial base term, only payments related to the initial term were included in the initial ROU asset. Base rent will increase two percent annually, making the total future minimum payments during the initial term of the lease approximately \$51.6 million as of December 31, 2020. Based upon an initial term of fifteen years, an incremental borrowing rate of 8% was used to determine the ROU asset, as no implicit rate was identified in the lease agreement. We recorded a \$28.3 million ROU asset in *net property, plant and equipment, and finance lease* and corresponding liabilities in *other accrued liabilities* and *other non-current finance liabilities* in the Consolidated Balance Sheets as of December 31, 2020.

We have operating and finance leases for real estate, vehicles, and certain equipment. Our leases have remaining lease terms of up to 15 years, some of which may include options to extend the leases for up to 10 years, and some of which may include options to terminate the leases within 1 year.

The components of lease expense included on our Consolidated Statements of Operations were as follows:

(in thousands)	Classification	Year ended December 31, 2020	Year ended December 31, 2019
Operating lease expense:			
Operating lease expense	Selling, general and administrative expenses	\$ 5,736	\$ 6,624
Short-term lease expense	Selling, general and administrative expenses	1,960	6,575
Variable lease expense ⁽¹⁾	Selling, general and administrative expenses	1,973	2,349
Total operating lease expense		\$ 9,669	\$ 15,548
Finance lease expense:			
Amortization of right-of-use assets	Selling, general and administrative expenses	\$ 2,061	\$ 13
Interest on lease liabilities	Interest expense	2,452	14
Total finance lease expense		\$ 4,513	\$ 27
Sublease income ⁽²⁾	Other – net	\$ (86)	\$ (67)
Net lease cost		\$ 14,096	\$ 15,508

⁽¹⁾ Variable lease expense primarily consists of common area maintenance expenses paid directly to lessors of real estate leases.

⁽²⁾ Sublease income excludes rental income from owned properties, which is not material.

Other information related to leases is as follows:

(in thousands)	Year ended December 31, 2020		Year ended December 31, 2019	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$	5,603	\$	6,578
Operating cash flows from finance leases		2,452		14
Financing cash flows from finance leases		(13)		(12)
Right-of-use assets obtained in exchange for lease liabilities:				
Operating leases	\$	2,629	\$	3,014
Finance leases	\$	146	\$	30,404
Weighted-average remaining lease term:				
Operating leases (in years)		3.1		3.4
Finance leases (in years)		13.9		15.0
Weighted-average discount rate:				
Operating leases		9.26 %		9.27 %
Finance leases		8.00 %		8.00 %

Amounts relating to leases were presented on our Consolidated Balance Sheets as of December 31, 2020 and 2019 in the following line items:

(in thousands)	Classification	December 31, 2020		December 31, 2019	
Assets:					
Operating lease assets	Right-of-use assets	\$	10,814	\$	12,498
Finance lease assets	Net property, plant and equipment, and finance lease		28,477		30,392
Total non-current lease assets		\$	39,291	\$	42,890
Liabilities:					
Current					
Operating lease liabilities	Operating lease liabilities	\$	3,995	\$	4,323
Finance lease liabilities	Other accrued liabilities		886		(38)
Non-current					
Operating lease liabilities	Non-current operating lease liabilities		7,031		8,388
Finance lease liabilities	Non-current finance lease liabilities		29,690		30,454
Total lease liabilities		\$	41,602	\$	43,127

Future minimum lease payments required under non-cancellable leases as of December 31, 2020 were as follows:

(in thousands)	Operating Leases		Finance Leases		Total
Year ending December 31, 2021	\$	4,783	\$	3,278	\$ 8,061
Year ending December 31, 2022		3,509		3,342	6,851
Year ending December 31, 2023		2,394		3,408	5,802
Year ending December 31, 2024		1,424		3,473	4,897
Year ending December 31, 2025		315		3,498	3,813
Thereafter		7		34,787	34,794
Total	\$	12,432	\$	51,786	\$ 64,218
Less imputed interest		(1,406)		(21,210)	(22,616)
Lease liability	\$	11,026	\$	30,576	\$ 41,602

NOTE 11 – ACCRUED WARRANTY EXPENSE

We may offer assurance type warranties on products and services we sell. Changes in the carrying amount of our accrued warranty expense are as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Balance at beginning of period	\$ 33,376	\$ 45,117
Additions	11,912	9,557
Expirations and other changes	(8,391)	(7,622)
Payments	(13,916)	(12,446)
Translation and other	2,418	(1,230)
Balance at end of period	\$ 25,399	\$ 33,376

We accrue estimated expense included in *cost of operations* on our Consolidated Statements of Operations to satisfy contractual warranty requirements when we recognize the associated revenues on the related contracts, or in the case of a loss contract, the full amount of the estimated warranty cost is accrued when the contract becomes a loss contract. In addition, we record specific provisions or reductions where we expect the actual warranty costs to significantly differ from the accrued estimates. Such changes could have a material effect on our consolidated financial condition, results of operations and cash flows. Warranty expense in the year ended December 31, 2019 includes \$3.9 million of warranty reversal related to developments stemming from the March 29, 2019 settlement agreement for the B&W Renewable EPC loss contracts described in Note 5.

NOTE 12 – RESTRUCTURING ACTIVITIES

The Company incurred restructuring charges in 2019 and 2020. The charges primarily consist of severance costs related to actions taken, including as part of the Company's strategic, market-focused organizational and re-branding initiative. During 2020, these charges also include actions taken to address to impact of COVID-19 on our business.

The following tables summarize the restructuring activity incurred by segment:

(in thousands)	Year ended December 31, 2020			Year ended December 31, 2019		
	Total	Severance and related costs	Other ⁽¹⁾	Total	Severance and related costs	Other ⁽¹⁾
B&W Renewable segment	\$ 5,926	\$ 4,537	\$ 1,389	\$ 2,233	\$ 2,176	\$ 57
B&W Environmental segment	745	293	452	2,000	1,888	112
B&W Thermal segment	4,725	1,962	2,763	3,040	2,791	249
Corporate	453	(52)	505	4,434	3,566	868
	<u>\$ 11,849</u>	<u>\$ 6,740</u>	<u>\$ 5,109</u>	<u>\$ 11,707</u>	<u>\$ 10,421</u>	<u>\$ 1,286</u>
Cumulative costs to date	\$ 40,314	\$ 33,213	\$ 7,101			

⁽¹⁾ Other amounts consist primarily of exit, spin-off, relocation, COVID-19 related and other costs.

Restructuring liabilities are included in *other accrued liabilities* on our Consolidated Balance Sheets. Activity related to the restructuring liabilities is as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Balance at beginning of period	\$ 5,359	\$ 7,359
Restructuring expense	11,849	11,707
Payments	(9,062)	(13,707)
Balance at end of period	<u>\$ 8,146</u>	<u>\$ 5,359</u>

As of December 31, 2020, approximately \$4.0 million in severance payments were made related to restructuring charges. Accrued restructuring liabilities at December 31, 2020 and 2019 relate primarily to employee termination benefits. In the fourth quarter of 2020, as part of the Company's continuing integration of worldwide teams, we accrued \$3.5 million of employee severance and related costs. Restructuring liabilities are included in *other accrued liabilities* on our Consolidated Balance Sheets.

Additional charges may be recognized in future periods related to the actions described above, the timing and amount of which are not known at this time.

NOTE 13 – PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

We have historically provided defined benefit retirement benefits to domestic employees under the Retirement Plan for Employees of Babcock & Wilcox Commercial Operations (the "U.S. Plan"), a noncontributory plan. As of 2006, the U.S. Plan was closed to new salaried plan entrants. Effective December 31, 2015, benefit accruals for those salaried employees covered by, and continuing to accrue service and salary adjusted benefits under the U.S. Plan ceased. As of December 31, 2020, and 2019, approximately 85 and 100 hourly union employees continue to accrue benefits under the U.S. Plan, respectively.

Effective January 1, 2012, a defined contribution component was adopted applicable to Babcock & Wilcox Canada, Ltd. (the "Canadian Plans"). Any employee with less than two years of continuous service as of December 31, 2011 was required to enroll in the defined contribution component of the Canadian Plans as of January 1, 2012 or upon the completion of 6 months of continuous service, whichever is later. These and future employees will not be eligible to enroll in the defined benefit component of the Canadian Plans. In 2014, benefit accruals under certain hourly Canadian pension plans were ceased with an effective date of January 1, 2015. As part of the spin-off transaction, we split the Canadian defined benefit plans from BWXT, which was completed in 2017. We did not present these plans as multi-employer plans because our portion was separately identifiable, and we were able to assess the assets, liabilities and periodic expense in the same manner as if it were a separate plan in each period.

We also sponsor the Diamond Power Specialty Limited Retirement Benefits Plan (the “U.K. Plan”) through our subsidiary. Benefit accruals under this plan ceased effective November 30, 2015. We have accounted for the GMP equalization following the U.K. High Court ruling during the fourth quarter of 2018 by recording prior service cost in accumulated other comprehensive income that will be amortized through net periodic pension cost over 15 years, ending December 31, 2033.

We do not provide retirement benefits to certain non-resident alien employees of foreign subsidiaries. Retirement benefits for salaried employees who accrue benefits in a defined benefit plan are based on final average compensation and years of service, while benefits for hourly paid employees are based on a flat benefit rate and years of service. Our funding policy is to fund the plans as recommended by the respective plan actuaries and in accordance with the Employee Retirement Income Security Act of 1974, as amended, or other applicable law. Funding provisions under the Pension Protection Act accelerate funding requirements to ensure full funding of benefits accrued.

We make available other benefits which include postretirement health care and life insurance benefits to certain salaried and union retirees based on their union contracts, and on a limited basis, to future retirees.

Obligations and funded status

(in thousands)	Pension Benefits		Other Benefits	
	Year Ended December 31, 2020	2019	Year Ended December 31, 2020	2019
Change in benefit obligation:				
Benefit obligation at beginning of period	\$ 1,218,968	\$ 1,140,127	\$ 12,134	\$ 14,019
Service cost	792	778	19	15
Interest cost	33,267	43,312	288	424
Plan participants' contributions	—	—	160	180
Curtailments	—	—	—	—
Settlements	—	115	—	—
Amendments	—	—	—	—
Actuarial loss (gain)	108,623	114,125	478	(1,200)
Gain due to transfer	—	—	—	—
Foreign currency exchange rate changes	1,615	2,007	33	66
Benefits paid	(79,246)	(81,496)	(1,310)	(1,370)
Benefit obligation at end of period	\$ 1,284,019	\$ 1,218,968	\$ 11,802	\$ 12,134
Change in plan assets:				
Fair value of plan assets at beginning of period	\$ 974,117	\$ 871,925	\$ —	\$ —
Actual return on plan assets	148,100	177,560	—	—
Employer contribution	2,892	4,049	1,150	1,191
Plan participants' contributions	—	—	160	180
Transfers	—	—	—	—
Foreign currency exchange rate changes	1,783	2,079	—	—
Benefits paid	(79,246)	(81,496)	(1,310)	(1,371)
Fair value of plan assets at the end of period	1,047,646	974,117	—	—
Funded status	\$ (236,373)	\$ (244,851)	\$ (11,802)	\$ (12,134)
Amounts recognized in the balance sheet consist of:				
Accrued employee benefits	\$ (1,163)	\$ (1,153)	\$ (1,399)	\$ (1,683)
Accumulated postretirement benefit obligation	—	—	(10,403)	(10,451)
Pension liability	(241,889)	(248,821)	—	—
Prepaid pension	6,679	5,123	—	—
Accrued benefit liability, net	\$ (236,373)	\$ (244,851)	\$ (11,802)	\$ (12,134)
Amount recognized in accumulated comprehensive income (before taxes):				
Prior service cost	\$ 557	\$ 643	\$ 3,046	\$ 1,962
Supplemental information:				
Plans with accumulated benefit obligation in excess of plan assets				
Projected benefit obligation	\$ 1,219,129	\$ 1,159,083	\$ —	\$ —
Accumulated benefit obligation	\$ 1,219,129	\$ 1,159,083	\$ 11,802	\$ 12,134
Fair value of plan assets	\$ 976,078	\$ 909,110	\$ —	\$ —
Plans with plan assets in excess of accumulated benefit obligation				
Projected benefit obligation	\$ 64,890	\$ 59,885	\$ —	\$ —
Accumulated benefit obligation	\$ 64,890	\$ 59,885	\$ —	\$ —
Fair value of plan assets	\$ 71,568	\$ 65,007	\$ —	\$ —

Components of net periodic benefit cost (benefit) included in net income (loss) are as follows:

(in thousands)	Pension Benefits		Other Benefits	
	Year ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Interest cost	\$ 33,267	\$ 43,312	\$ 288	\$ 424
Expected return on plan assets ⁽³⁾	(61,322)	(55,717)	—	—
Amortization of prior service cost	97	142	(1,084)	(2,157)
Recognized net actuarial loss (gain)	22,676	(7,603)	478	(1,201)
Benefit plans, net ⁽¹⁾	(5,282)	(19,866)	(318)	(2,934)
Service cost included in COS ⁽²⁾	792	778	19	15
Net periodic benefit cost (benefit)	\$ (4,490)	\$ (19,088)	\$ (299)	\$ (2,919)

⁽¹⁾ *Benefit plans, net*, which is presented separately in the Consolidated Statements of Operations, is not allocated to the segments.

⁽²⁾ Service cost related to a small group of active participants is presented within *cost of operations* in the Consolidated Statement of Operations and is allocated to the B&W Thermal segment.

⁽³⁾ Expected return on plan assets includes \$0.8 million related to interest incurred for deferred contribution payments.

Recognized net actuarial loss (gain) consists primarily of our reported actuarial loss (gain), curtailments, settlements, and the difference between the actual return on plan assets and the expected return on plan assets. Total net MTM adjustments for our pension and other postretirement benefit plans were losses (gains) of \$23.2 million and \$(8.8) million in the years ended December 31, 2020 and 2019, respectively. The recognized net actuarial loss (gain) was recorded in *Benefit plans, net* in our Consolidated Statements of Operations.

Settlements are triggered in a plan when the distributions exceed the sum of the service cost and interest cost of the respective plan. Lump sum payments from our Canadian Plans resulted in plan settlements of a \$0.1 million loss during 2019. The settlements themselves were not material, but they triggered interim MTM remeasurements of the Canadian Plan's assets and liabilities, resulting in a \$0.6 million loss during 2019. Both the settlements and the MTM remeasurements are reflected in the *Recognized net actuarial loss (gain)* in the table above and are included in our Consolidated Statements of Operations in the *Benefit plans, net* line item.

Assumptions

	Pension Benefits		Other Benefits	
	Year ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Weighted average assumptions used to determine net periodic benefit obligations:				
Comparative single equivalent discount rate	2.50%	3.25%	1.97%	2.99%
Rate of compensation increase	0.08%	0.07%	—	—
Weighted average assumptions used to determine net periodic benefit cost:				
Comparative single equivalent discount rate	3.23%	4.28%	1.97%	2.99%
Expected return on plan assets	6.63%	6.66%	—	—
Rate of compensation increase	0.08%	0.07%	—	—

The expected rate of return on plan assets is based on the long-term expected returns for the investment mix of assets currently in the portfolio. In setting this rate, we use a building-block approach. Historic real return trends for the various asset classes in the plan's portfolio are combined with anticipated future market conditions to estimate the real rate of return for each asset class. These rates are then adjusted for anticipated future inflation to determine estimated nominal rates of return for each asset class. The expected rate of return on plan assets is determined to be the weighted average of the nominal returns based on the weightings of the asset classes within the total asset portfolio. We use an expected return on plan assets assumption of 6.89% for the majority of our pension plan assets (approximately 93% of our total pension assets at December 31, 2020).

Investment goals

The overall investment strategy of the pension trusts is to achieve long-term growth of principal, while avoiding excessive risk and to minimize the probability of loss of principal over the long term. The specific investment goals that have been set for the pension trusts in the aggregate are (1) to ensure that plan liabilities are met when due and (2) to achieve an investment return on trust assets consistent with a reasonable level of risk.

Allocations to each asset class for both domestic and foreign plans are reviewed periodically and rebalanced, if appropriate, to assure the continued relevance of the goals, objectives and strategies. The pension trusts for both our domestic and foreign plans employ a professional investment advisor and a number of professional investment managers whose individual benchmarks are, in the aggregate, consistent with the plans' overall investment objectives. The goals of each investment manager are (1) to meet (in the case of passive accounts) or exceed (for actively managed accounts) the benchmark selected and agreed upon by the manager and the trust and (2) to display an overall level of risk in its portfolio that is consistent with the risk associated with the agreed upon benchmark.

The investment performance of total portfolios, as well as asset class components, is periodically measured against commonly accepted benchmarks, including the individual investment manager benchmarks. In evaluating investment manager performance, consideration is also given to personnel, strategy, research capabilities, organizational and business matters, adherence to discipline and other qualitative factors that may impact the ability to achieve desired investment results.

Domestic plans: We sponsor the U.S. Plan, which is a domestic defined benefit plan. The assets of this plan are held by the Trustee in The Babcock & Wilcox Company Master Trust (the "Master Trust"). For the years ended December 31, 2020 and 2019, the investment return on domestic plan assets of the Master Trust (net of deductions for management fees) was approximately 17% and 23%, respectively.

The following is a summary of the asset allocations for the Master Trust by asset category:

Asset category:	Year ended December 31,	
	2020	2019
Commingled and mutual funds	41 %	68 %
United States government securities	16 %	30 %
Corporate stocks	5 %	— %
Venture capital	18 %	— %
Hedge funds	13 %	— %
Cash and accrued items	7 %	2 %

The target asset allocation for the Master Trust as of December 31, 2020 was 54% of alternative, liquid credit and direct lending funds, 22% of fixed income securities, and 24% of equity and other investments. As of December 31, 2019, the target allocation was 65% of commingled and mutual funds and 35% of fixed income investments. We routinely reassess the target asset allocation with a goal of better aligning the timing of expected cash flows from those assets to the anticipated timing of benefit payments.

Foreign plans: We sponsor various plans through certain of our foreign subsidiaries. These plans are the Canadian Plans and the U.K. Plan. The combined weighted average asset allocations of these plans by asset category were as follows:

Asset category:	Year ended December 31,	
	2020	2019
Commingled and mutual funds	35 %	30 %
Fixed income	62 %	68 %
Other	3 %	2 %

The target allocation for 2020 for the foreign plans, by asset class, is as follows:

	Canadian Plans	U.K. Plan
Asset class:		
United States equity	23 %	6 %
Global equity	27 %	6 %
Fixed income and other	50 %	88 %

Fair value of plan assets

See Note 21 for a detailed description of fair value measurements and the hierarchy established for valuation inputs. In accordance with Subtopic 820-10, *Fair Value Measurement and Disclosures*, certain investments that are measured at fair value using the net asset value ("NAV") per share practical expedient have not been classified in the fair value hierarchy. The investments that are measured at fair value using NAV per share included in the tables below are intended to permit reconciliation of the fair value hierarchy to the fair value of plan assets at the end of each period, which is presented in the first table above titled "obligations and funded status". The following is a summary of total investments for our plans measured at fair value:

(in thousands)

	Year ended December 31, 2020	Level 1	Level 2	Level 3
Commingled and mutual funds	\$ 429,101	\$ 402,935	\$ 26,166	\$ —
United States government securities	160,488	160,488	—	—
Fixed income	44,604	—	44,604	—
Equity	45,539	45,539	—	—
Venture capital	56,719	—	—	56,719
Cash and accrued items	69,822	69,822	—	—
Investments measured at fair value	\$ 806,273	\$ 678,784	\$ 70,770	\$ 56,719
Investments measured at net asset value	241,568			
Pending trades	(195)			
Total pension and other postretirement benefit assets	\$ 1,047,646			

(in thousands)

	Year ended December 31, 2019	Level 1	Level 2	Level 3
Commingled and mutual funds	\$ 531,823	\$ —	\$ 531,823	\$ —
United States government securities	271,272	—	271,272	—
Fixed income	39,625	—	39,625	—
Cash and accrued items	21,548	729	20,819	—
Investments measured at fair value	\$ 864,268	\$ 729	\$ 863,539	\$ —
Investments measured at net asset value	109,849			
Total pension and other postretirement benefit assets	\$ 974,117			

Expected cash flows

(in thousands)	Domestic Plans		Foreign Plans	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Expected employer contributions to trusts of defined benefit plans:				
2021	\$ 45,605	\$ 1,225	\$ 1,502	\$ 174
Expected benefit payments ⁽¹⁾:				
2021	\$ 75,113	\$ 1,225	\$ 2,623	\$ 174
2022	74,688	1,131	2,660	152
2023	74,099	1,041	2,666	143
2024	73,356	953	2,740	132
2025	72,386	870	2,885	121
2026-2030	340,845	3,251	15,135	460

⁽¹⁾ Pension benefit payments are made from their respective plan's trust.

We made contributions to our pension and other postretirement benefit plans totaling \$4.0 million and \$5.2 million during the years ended December 31, 2020 and 2019, respectively. Expected employer contributions to trusts of defined benefit plans above reflect relief granted under pension contribution waivers, which deferred minimum pension contributions for approximately one year to then be repaid over a five-year period.

On October 1, 2020 we received IRS approval of our temporary hardship waiver request for our pension and other postretirement benefit plans' contribution for the 2019 Plan year. Pursuant to the provisions of the waiver granted by the IRS related to the 2018 Plan year, we were required to resume quarterly contributions on April 15, 2020 equal to the required quarterly contributions to the Plan. The 2019 Plan year deferred contribution of \$23.7 million is allowed to be funded over the next five years.

On March 27, 2020, the CARES Act was signed into law and among other things, provides deferral of certain U.S. pension plan contributions until January 1, 2021. This was updated to allow payments due on January 1, 2021 to be considered timely made no later than January 4, 2021. We elected to defer the contribution payments of \$5.5 million each for the 2020 Plan year that would have been made on April 15, 2020 and July 15, 2020 and October 15, 2020, respectively. In addition, we elected to defer the contribution payments of \$1.1 million for the 2018 waiver for the 2019 Plan year and \$23.7 million for the 2019 Plan year that were both due on September 15, 2020.

The total funding contributions of approximately \$46.0 million originally estimated for 2020 includes \$1.1 million for the 2018 waiver payment for the 2019 Plan year, \$23.7 million for the 2019 Plan year, \$16.5 million for the 2020 Plan year and \$4.5 million related to other non-qualified pension plans, non-U.S. pension plans and other postretirement benefits plans.

In January 2021, we made contributions of \$22.0 million for the 2020 Plan year and \$1.1 million for the 2018 waiver payment for the 2019 Plan year and \$0.4 million of interest as required per the CARES Act deferral.

Defined contribution plans

We provide benefits under The B&W Thrift Plan (the "Thrift Plan"). The Thrift Plan generally provides for matching employer contributions of 50% of the first 8% of the participants' compensation. These matching employer contributions are typically made in cash. Amounts charged to expense for employer contributions under the Thrift Plan totaled approximately \$1.0 million and \$3.1 million in the years ended December 31, 2020 and 2019, respectively.

Also, our salaried Canadian employees are provided with a defined contribution plan. The amount charged to expense for employer contributions was approximately \$0.3 million and \$0.3 million in the years ended December 31, 2020 and 2019, respectively.

Multi-employer plans

One of our subsidiaries in the B&W Thermal segment contributes to various multi-employer plans. The plans generally provide defined benefits to substantially all unionized workers in this subsidiary. The following table summarizes our contributions to multi-employer plans for the years covered by this report:

Pension Fund	EIN/PIN	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2020	2019		2020	2019		
Boilermaker-Blacksmith National Pension Trust	48-6168020/ 001	Yellow	Red	Yes	\$ 4.0	\$ 7.5	No	Described Below
All other					0.9	4.9		
					<u>\$ 4.9</u>	<u>\$ 12.4</u>		

Our collective bargaining agreements with the Boilermaker-Blacksmith National Pension Trust (the “Boilermaker Plan”) is under a National Maintenance Agreement platform which is evergreen in terms of expiration. However, the agreement allows for termination by either party with a 90-day written notice. Our contributions to the Boilermaker Plan constitute less than 5% of total contributions to the Boilermaker Plan. All other contributions expense for all periods included in this report represents multiple amounts to various plans that, individually, are deemed to be insignificant.

NOTE 14 – REVOLVING DEBT

Our revolving debt is comprised of a revolving credit facility in the U.S. totaling \$164.3 million and \$179.0 million at December 31, 2020 and 2019, respectively.

On May 11, 2015, we entered into the Amended Credit Agreement with a syndicate of lenders in connection with our spin-off from The Babcock & Wilcox Company (now BWX Technologies, Inc. or “BWXT”) which governs the U.S. Revolving Credit Facility and the Last Out Term Loans. Since June 2016, we have entered into a number of waivers and amendments to the Amended Credit Agreement, including several to avoid default under the financial and other covenants specified in the Amended Credit Agreement.

A&R Credit Agreement

On May 14, 2020, we entered into an agreement with our lenders amending and restating the Amended Credit Agreement (the “A&R Credit Agreement”). The A&R Credit Agreement refinances and extends the maturity of our U.S. Revolving Credit Facility and Last Out Term Loans.

Under the A&R Credit Agreement, B. Riley has committed to provide the Company with up to \$70.0 million of additional Last Out Term Loans on the same terms as the term loans extended under the Amended Credit Agreement. An aggregate \$30.0 million of this new commitment was funded upon execution of the A&R Credit Agreement. Of the remaining commitments, at least \$35.0 million will be funded in installments, subject to reduction for the gross proceeds from certain equity offerings conducted by the Company, and \$5.0 million will be funded upon request by the Company. The proceeds from the \$30.0 million of new term loans will be used to pay transaction fees and expenses and repay outstanding borrowings under the U.S. Revolving Credit Facility. Proceeds from the additional \$40.0 million of term loans will be used to repay outstanding borrowings under the U.S. Revolving Credit Facility, with any remaining amounts used for working capital, capital expenditures, permitted acquisitions and general corporate purposes.

The A&R Credit Agreement also provides that, (i) the U.S. Revolving Credit Facility continues to be available for issuances of existing and new letters of credit, subject to the L/C Sublimit (as defined below), (ii) the \$205.0 million sublimit on borrowings under the U.S. Revolving Credit Facility is maintained, and (iii) interest payments on the unpaid principal amount of revolving credit loans incurred during the period from May 14, 2020 through and including August 31, 2020 of \$3.8 million are deferred and will be paid in six equal installments on the last business day of each calendar month beginning on January 29, 2021 and through June 30, 2021. No swing line borrowings are permitted under the A&R Credit Agreement.

The A&R Credit Agreement also amends the following terms, among others, as compared with the Amended Credit Agreement:

- (i) the maturity date of the U.S. Revolving Credit Facility is extended to June 30, 2022, and the maturity date of all Last Out Term Loans under the A&R Credit Agreement is extended to December 30, 2022 (six months after the maturity date of the U.S. Revolving Credit Facility);
- (ii) the interest rate for loans under the U.S. Revolving Credit Facility remained the same at LIBOR plus 7% or base rate (as defined in the A&R Credit Agreement) plus 6%. These margins will be reduced by 2% if commitments under the U.S. Revolving Credit Facility are reduced to less than \$200.0 million. The fee for letters of credit is set at 4%;
- (iii) the interest rate for all Last Out Term Loans is set at 12%;
- (iv) the commitments under the U.S. Revolving Credit Facility automatically and permanently decrease in the following amounts on the following dates, which match the funding dates and amounts for the committed term loans: (x) \$10.0 million on November 30, 2020; and (y) \$5.0 million on each of March 31, 2021, June 30, 2021, September 30, 2021, December 31, 2021 and March 31, 2022, respectively;
- (v) the amount of revolving loans and letters of credit available in currencies other than U.S. dollars are capped at \$125.0 million through April 30, 2021 and step down to \$110.0 million on May 1, 2021; and
- (vi) the amount of financial letters of credit is capped at \$75.0 million, and the amount of all letters of credit is capped at \$190.0 million through April 30, 2021 and step down to \$175.0 million on May 1, 2021 (the "L/C Sublimit").

Affirmative and negative covenants under the A&R Credit Agreement are substantially consistent with the Amended Credit Agreement, except that, among other changes: (i) the indebtedness covenant has been modified to permit the incurrence of any governmental assistance in the form of indebtedness in connection with COVID-19 relief in an aggregate principal amount not to exceed \$10.0 million; (ii) a third-party letter of credit basket of up to \$50.0 million has been added; (iii) certain liens and restricted payments are modified to permit liens and repayments of indebtedness incurred in connection with governmental assistance in connection with COVID-19 relief; and (iv) covenants related to the European B&W Renewable EPC loss projects have been removed. The minimum required liquidity condition of \$30.0 million remains constant but has been modified to exclude cash of non-loan parties in an amount in excess of \$25.0 million.

Events of default under the A&R Credit Agreement are substantially consistent with the Amended Credit Agreement, except that B. Riley's failure to fund any of its additional Last Out Term Loans committed under the A&R Credit Agreement will constitute an event of default.

In connection with the A&R Credit Agreement, the Company has incurred certain customary amendment and commitment fees, a portion of which will be deferred pursuant to the terms of the A&R Credit Agreement along with certain previously deferred fees incurred under the Amended Credit Agreement.

On October 30, 2020, we entered into A&R Amendment No. 1 with Bank of America, N.A. A&R Amendment No. 1, among other matters, (i) provides that, under the A&R Credit Agreement, the "Commitment Reduction Amount" shall be an amount equal to (a) for any "Prepayment Event" relating to a "Recovery Event" (each as defined under the A&R Credit Agreement), 50% of the net cash proceeds with respect to such Prepayment Event, and (b) with respect to any other Prepayment Event under the A&R Credit Agreement, the net cash proceeds with respect to such Prepayment Event, and (ii) establishes new financial covenants for interest coverage ratios and senior leverage ratios.

As of December 31, 2020, the future minimum interest coverage ratios under our A&R Credit Agreement are as follows:

- 0.50:1.00 for the quarter ending March 31, 2021
- 0.80:1.00 for the quarter ending June 30, 2021
- 1.00:1.00 for the quarter ending September 30, 2021
- 1.10:1.00 for the quarter ending December 31, 2021
- 1.25:1.00 for the quarter ending March 31, 2022 and the last day of each fiscal quarter ending thereafter

As of December 31, 2020, the future maximum permitted senior leverage ratios under our A&R Credit Agreement are as follows:

- 7.75:1.00 for the quarter ending March 31, 2021
- 4.25:1.00 for the quarter ending June 30, 2021
- 3.75:1.00 for the quarter ending September 30, 2021
- 3.00:1.00 for the quarter ending December 31, 2021
- 2.25:1.00 for the quarter ending March 31, 2022 and the last day of each fiscal quarter ending thereafter

Amendments to the A&R Credit Agreement - *Subsequent Events*

On February 8, 2021, we entered into A&R Amendment No. 2 with Bank of America. A&R Amendment No. 2, among other matters, (i) permits the issuance of the Senior Notes in the 2021 senior notes offering described above, (ii) permits the deemed prepayment of \$35 million of our Tranche A term loan with \$35 million principal amount of Senior Notes, (iii) provides that 75% of the Senior Notes gross proceeds shall be used to repay outstanding borrowings and permanently reduce the commitments under our senior secured credit facilities, and (iv) provide that \$5 million of certain previously deferred facility fees will be paid by the Company.

On March 4, 2021, we entered into A&R Amendment No. 3 with Bank of America. A&R Amendment No. 3, among other matters, at the date of effectiveness (i) permits the prepayment of certain term loans, (ii) reduces the revolving credit commitments to \$130 million and removes the ability to obtain revolving loans under the credit agreement, and (iii) amends certain covenants and conditions to the extension of credit, as described in Note 25.

U.S. Revolving Credit Facility

As of December 31, 2020, the U.S. Revolving Credit Facility provides for a senior secured revolving credit facility in an aggregate amount of up to \$306.2 million, as amended and adjusted for completed asset sales and other transactions. The proceeds from loans under the U.S. Revolving Credit Facility are available for working capital needs, capital expenditures, permitted acquisitions and other general corporate purposes, and the full amount is available to support the issuance of letters of credit, subject to the limits specified in the agreement.

At December 31, 2020, borrowings under the U.S. Revolving Credit Facility consisted of \$164.3 million at a weighted average interest rate of 7.46%. Usage under the U.S. Revolving Credit Facility consisted of \$164.3 million of revolving loan borrowings, \$22.0 million of financial letters of credit and \$86.2 million of performance letters of credit. At December 31, 2020, we had approximately \$33.7 million available to meet letter of credit and borrowing requirements based on our overall facility size.

On October 23, 2020, we received \$26.0 million under the settlement agreement described in Note 5. As required by the Company's U.S. Revolving Credit Facility, 50% of the net proceeds (gross proceeds less costs) or \$8.0 million of the settlement received by the Company was applied as a permanent reduction of the U.S. Revolving Credit Facility in October 2020.

U.S. Revolving Credit Facility - Subsequent Events

On February 12, 2021, we received gross proceeds of \$125 million from the 2021 Senior Notes offering. As required by the Company's U.S. Revolving Credit Facility, 75% of the gross proceeds or \$93.8 million received by the Company was applied as a permanent reduction of the U.S. Revolving Credit Facility as of February 12, 2021.

Also on February 16, 2021, we prepaid \$167.1 million towards the outstanding U.S. Revolving Credit Facility.

As of March 4, 2021, effective with Amendment No. 3 to the A&R Credit Agreement described above, the U.S. Revolving Credit Facility provides for an aggregate letters of credit amount of up to \$130 million, as described in Note 25.

B. Riley Limited Guaranty

In connection with the Company's entry into the A&R Credit Agreement, B. Riley has entered into the B. Riley Guaranty for the benefit of the Administrative Agent and the lenders under the U.S. Revolving Credit Facility. The B. Riley Guaranty provides for the guarantee of all of the Company's obligations with respect to the U.S. Revolving Credit Facility (other than with respect to letters of credit and contingent obligations), including the obligation to repay outstanding revolving credit loans and pay earned interest and fees. The B. Riley Guaranty is enforceable in certain circumstances, including, among others: (i) B. Riley's failure to timely fund in full any of its additional Last Out Term Loans committed under the A&R Credit Agreement; (ii) certain events of default relating to bankruptcy or insolvency occurring with respect to B. Riley; (iii) the acceleration of the Company's borrowings under the U.S. Revolving Credit Facility; (iv) the Company's failure to pay any amount due to the Administrative Agent or any lender under the U.S. Revolving Credit Facility; or (v) any assertion that the B. Riley Guaranty or any portion thereof is not valid, binding or enforceable.

In connection with the B. Riley Guaranty, the Company entered into a fee letter with B. Riley pursuant to which the Company agreed to pay B. Riley a fee of \$3.9 million (the "B. Riley Guaranty Fee"). On June 8, 2020, the Company issued

1,712,479 unregistered shares of Common Stock to B. Riley and certain of its affiliates in settlement of the B. Riley Guaranty Fee in connection with the Fee and Interest Equitization Agreement discussed below.

Fee and Interest Equitization Agreement

In connection with the B. Riley Guaranty, the Company entered into a Fee and Interest Equitization Agreement (the “Equitization Agreement”) with B. Riley and, solely for certain limited purposes under the Equitization Agreement, B. Riley FBR, Inc.

The Equitization Agreement provides that, in lieu of receiving (a) \$13.4 million of interest payments with respect to Last Out Term Loans under the A&R Credit Agreement between May 14, 2020 and December 31, 2020 (the “Equitized Interest Payments”) and (b) the B. Riley Guaranty Fee (the “Equitized Fee Payment”) and, together with the Equitized Interest Payments, the “Equitized Fees and Interest Payments”), B. Riley will receive unregistered shares of the Company’s Common Stock.

Under the Equitization Agreement, B. Riley will receive a number of shares of unregistered common stock equal to (i) the aggregate dollar value of the Equitized Fees and Interest Payments divided by (ii) the Conversion Price. For purposes of the Equitization Agreement, the “Conversion Price” means the average volume weighted average price of the common stock over 15 consecutive trading days beginning on and including May 15, 2020 (the “Measurement Period”), subject to customary adjustments. On June 5, 2020, the conversion price was calculated at \$2.2774 per share.

On December 31, 2020, September 30, 2020 and June 30, 2020, the Company issued 2,379,376, 2,334,002 and 1,192,371 unregistered shares of Common Stock, respectively, to B. Riley and certain of its affiliates in settlement of the quarterly interest payable in connection with the Equitization Agreement discussed above.

Letters of Credit, Bank Guarantees and Surety Bonds

Certain subsidiaries primarily outside of the United States have credit arrangements with various commercial banks and other financial institutions for the issuance of letters of credit and bank guarantees in association with contracting activity. The aggregate value of all such letters of credit and bank guarantees opened outside of the U.S. Revolving Credit Facility as of December 31, 2020 and 2019 was \$84.5 million and \$88.5 million, respectively. The aggregate value of the letters of credit provided by the U.S. Revolving Credit Facility backstopping letters of credit or bank guarantees was \$32.0 million as of December 31, 2020. Of the letters of credit issued under the U.S. Revolving Credit Facility, \$34.9 million are subject to foreign currency revaluation.

We have posted surety bonds to support contractual obligations to customers relating to certain contracts. We utilize bonding facilities to support such obligations, but the issuance of bonds under those facilities is typically at the surety's discretion. These bonds generally indemnify customers should we fail to perform our obligations under the applicable contracts. We, and certain of our subsidiaries, have jointly executed general agreements of indemnity in favor of surety underwriters relating to surety bonds those underwriters issue in support of some of our contracting activity. As of December 31, 2020, bonds issued and outstanding under these arrangements in support of contracts totaled approximately \$280.9 million. The aggregate value of the letters of credit provided by the U.S. Revolving Credit Facility backstopping surety bonds was \$34.7 million.

Our ability to obtain and maintain sufficient capacity under our U.S. Revolving Credit Facility is essential to allow us to support the issuance of letters of credit, bank guarantees and surety bonds. Without sufficient capacity, our ability to support contract security requirements in the future will be diminished.

NOTE 15 – LAST OUT TERM LOANS

The components of the Last Out Term Loans by Tranche are as follows:

(in thousands)	December 31, 2020			
	A-3	A-4	A-6	Total
Proceeds ⁽¹⁾	\$ 101,660	\$ 30,000	\$ 40,000	\$ 171,660
Discount and fees	8,650	—	—	8,650
Paid-in-kind interest	3,020	—	—	3,020
Net debt balance	\$ 113,330	\$ 30,000	\$ 40,000	\$ 183,330

⁽¹⁾Tranche A-3 proceeds represent the net proceeds after the \$39.7 million principal prepayment of the tranche as of July 23, 2019, the date of the Equitization Transactions as discussed below.

(in thousands)	December 31, 2019
	A-3
Proceeds ⁽¹⁾	\$ 101,660
Discount and fees	8,650
Paid-in-kind interest	3,020
Principal	113,330
Unamortized discount and fees	(9,377)
Net debt balance	\$ 103,953

⁽¹⁾Tranche A-3 proceeds represent the net proceeds after the \$39.7 million principal prepayment of the tranche as of July 23, 2019, the date of the Equitization Transactions as discussed below.

Last Out Term Loans are incurred under our A&R Credit Agreement and are pari passu with the U.S. Revolving Credit Facility except for certain payment subordination provisions. The Last Out Term Loans are subject to the same representations and warranties, covenants and events of default as the U.S. Revolving Credit Facility. In connection with the effectiveness of the A&R Credit Agreement, the maturity date for the Last Out Term Loans was extended to December 30, 2022.

A debt modification with the same borrower that results in substantially different terms is accounted for as an extinguishment of the existing debt and a reborrowing of new debt. An extinguishment gain or loss is then recognized based on the fair value of the new debt as compared to the carrying value of the extinguished debt. The Company recognized a loss on debt extinguishment of \$6.2 million in 2020, primarily representing the unamortized value of the original issuance discount and fees on the Tranche A-3 Last Out Term Loan.

On December 31, 2020, September 30, 2020 and June 30, 2020, the Company issued 2,379,376, 2,334,002, and 1,192,371 unregistered shares of common stock to B. Riley in settlement of the Last Out Term Loans' quarterly interest payable in connection with the Fee and Interest Equitization Agreement further discussed in Note 14.

The total effective interest rate of Tranche A-3, Tranche A-4 and Tranche A-6 was 12.0% on December 31, 2020. Interest expense associated with the Last Out Term Loans is detailed in Note 16.

As of December 31, 2020, the Last Out Term Loans are presented as a non-current liability in our Consolidated Balance Sheets as a result of the extension of their maturity dates to December 30, 2022 granted under the A&R Credit Agreement. As of December 31, 2019, the Last Out Term Loans are presented as a current liability in our Consolidated Balance Sheets as a result of limited waivers granted to maintain compliance with the covenants in the prior Amended Credit Agreement.

Tranche A-1

We borrowed \$30.0 million of net proceeds under Tranche A-1 of the Last Out Term Loans from B. Riley, a related party, in September and October of 2018. In November 2018, Tranche A-1 was assigned to Vintage, also a related party. As part of the Equitization Transactions in July 2019, the outstanding principal of Tranche A-1 of the Last Out Term Loans including accrued paid-in-kind interest remaining as of March 31, 2019 was exchanged for shares of Common Stock.

Tranche A-2

We borrowed \$10.0 million of net proceeds under Tranche A-2 of Last Out Term Loans from B. Riley, a related party in March 2019. Tranche A-2 was fully repaid on July 23, 2019 with proceeds from the 2019 Rights Offering as part of the EQUITIZATION Transactions in July 2019.

Tranche A-3

Under Amendment No. 16 to our previous Amended Credit Agreement, we borrowed \$150.0 million face value from B. Riley, a related party, under a Tranche A-3 of Last Out Term Loans. The \$141.4 million net proceeds from Tranche A-3 were primarily used to pay the amounts due under the settlement agreements covering certain European B&W Renewable loss projects as described in Note 5, with the remainder used for working capital and general corporate purposes.

Interest rates for Tranche A-3 are described above. Tranche A-3 may be prepaid, subject to the subordination provisions under the previous Amended Credit Agreement as described above, but not re-borrowed. As part of the EQUITIZATION Transactions, the total prepayment of principal of Tranche A-3 of the Last Out Term Loans was \$39.7 million.

Tranche A-4

On January 31, 2020, we entered into Amendment No. 20 to the Amended Credit Agreement. Amendment No. 20 provides \$30.0 million of additional commitments from B. Riley, a related party, under a new Tranche A-4 of Last Out Term Loans. The proceeds from Tranche A-4 may be used under the terms of Amendment No. 20 to repay revolving credit loans, for working capital and general corporate purposes, and to reimburse certain expenses of B. Riley as specified by Amendment No. 20. The terms of Tranche A-4 are the same as the terms for the Tranche A-3 under the Amended Credit Agreement.

As of January 31, 2020, we borrowed \$30.0 million face value of the Tranche A-4 and received net proceeds of \$26.3 million after paying total fees of \$3.7 million related to amendment No. 20 described above.

Tranche A-5

On January 31, 2020, we entered into Amendment No. 20 to the Amended Credit Agreement. Amendment No. 20 provides an incremental Tranche A-5 of Last Out Term Loans to be extended prior to maturity of the Last Out Term Loans under the Amended Credit Agreement in the event certain customer letters of credit are drawn. The terms of Tranche A-5 are the same as the terms for the Tranche A-3 under the Amended Credit Agreement. As of March 8, 2021, no borrowings have occurred under Tranche A-5.

Tranche A-6

The A&R Credit Agreement provided us with up to \$70.0 million of additional funding in the form of Tranche A-6 Last Out Term Loans from B. Riley, a related party, as more fully described in Note 14. An aggregate \$30.0 million of this new commitment was funded upon execution of the A&R Credit Agreement. Of the remaining commitments, \$35.0 million will be funded in installments, subject to reduction for the gross proceeds from certain equity offerings conducted by the Company. The remaining \$5.0 million will be available upon request by the Company.

On November 30, 2020, we borrowed \$10.0 million face value of the Tranche A-6 and received gross proceeds of \$10.0 million pursuant to the terms of the A&R Credit Agreement which required the proceeds to be applied as a permanent reduction of the U.S. Revolving Credit Facility.

Tranche A-7

The A&R Credit Agreement provided us with up to \$50.0 million of additional funding for letters of credit in the form of Tranche A-7 Last Out Term Loans from B. Riley, a related party, as more fully described in Note 14. The \$50.0 million will be available upon request by the Company, subject to certain limitations. As of March 8, 2021, no borrowings have occurred under Tranche A-7.

Last Out Term Loans - Subsequent Events

On February 12, 2021, we issued \$35 million of Senior Notes to B. Riley Financial, Inc. in exchange for a deemed prepayment of our existing Last Out Term Loan Tranche A-6. The interest rate on the remaining Last Out Term Loan Tranche A balances has been reduced to 6.625% from 12.0%, as described in Note 25.

On March 4, 2021, effective with the execution of Amendment No. 3, we paid \$75 million towards our existing Last Out Term Loans, as described in Note 25.

NOTE 16 –INTEREST EXPENSE AND SUPPLEMENTAL CASH FLOW INFORMATION

Interest expense in our Consolidated Statements of Operations consisted of the following components:

(in thousands)	Year ended December 31,	
	2020	2019
Components associated with borrowings from:		
U.S. Revolving Credit Facility	\$ 13,988	\$ 15,639
Last Out Term Loans - cash interest	6,140	11,207
Last Out Term Loans - equitized interest	13,450	—
Last Out Term Loans - paid-in-kind interest	—	5,964
	33,578	32,810
Components associated with amortization or accretion of:		
U.S. Revolving Credit Facility - deferred financing fees and commitment fees	14,811	31,567
U.S. Revolving Credit Facility - contingent consent fee for Amendment 16	—	13,879
U.S. Revolving Credit Facility - deferred ticking fee for Amendment 16	1,660	5,064
Last Out Term Loans - discount and financing fees	3,183	10,580
	19,654	61,090
Other interest expense	6,564	1,001
Total interest expense	\$ 59,796	\$ 94,901

The following table provides a reconciliation of cash, cash equivalents and restricted cash reporting within the Consolidated Balance Sheets that sum to the total of the same amounts in the Consolidated Statements of Cash Flows:

(in thousands)	Year ended December 31,	
	2020	2019
Held by foreign entities	\$ 38,726	\$ 38,921
Held by U.S. entities	18,612	4,851
Cash and cash equivalents of continuing operations	57,338	43,772
Reinsurance reserve requirements	4,551	9,318
Bank guarantee collateral	2,665	—
Restricted foreign accounts	2,869	3,851
Restricted cash and cash equivalents	10,085	13,169
Total cash, cash equivalents and restricted cash of continuing operations shown in the Consolidated Statements of Cash Flows	\$ 67,423	\$ 56,941

Our U.S. Revolving Credit Facility described in Note 14 allows for nearly immediate borrowing of available capacity to fund cash requirements in the normal course of business, meaning that the minimum United States cash on hand is maintained to minimize borrowing costs.

The following cash activity is presented as a supplement to our Consolidated Statements of Cash Flows and is included in Net cash used in activities:

(in thousands)	Year ended December 31,	
	2020	2019
Income tax payments, net	\$ 6,960	\$ 3,873
Interest payments on our U.S. Revolving Credit Facility	\$ 11,675	\$ 14,715
Interest payments on our Last Out Term Loans	6,140	12,220
Total cash paid for interest	\$ 17,815	\$ 26,935

NOTE 17 – STOCK-BASED COMPENSATION

Stock options

There were no stock options awarded in 2020. The following table summarizes activity for outstanding stock options for the year ended December 31, 2020:

(share data in thousands)	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at beginning of period	396	\$ 106.56		
Granted	—	—		
Exercised	—	—		
Cancelled/expired/forfeited	(56)	96.90		
Outstanding at end of period	340	\$ 107.84	4.61	\$ —
Exercisable at end of period	340	\$ 107.84	4.61	\$ —

The aggregate intrinsic value included in the table above represents the total pretax intrinsic value that would have been received by the option holders had all option holders exercised their options on December 31, 2020. The intrinsic value is calculated as the total number of option shares multiplied by the difference between the closing price of our common stock on the last trading day of the period and the exercise price of the options. This amount changes based on the price of our common stock.

Restricted stock units

Non-vested restricted stock units activity for the year ended December 31, 2020 was as follows:

(share data in thousands)	Number of shares	Weighted-average grant date fair value
Non-vested at beginning of period	2,029	\$ 4.97
Granted	1,168	2.56
Vested	(544)	4.93
Cancelled/forfeited	(163)	7.00
Non-vested at end of period	2,490	\$ 3.77

As of December 31, 2020, total compensation expense not yet recognized related to non-vested restricted stock units was \$4.1 million and the weighted-average period in which the expense is expected to be recognized is 0.8 years.

Performance-based restricted stock units

Performance-based restricted stock units activity for the year ended December 31, 2020 was as follows:

(share data in thousands)	Number of shares	Weighted-average grant date fair value
Non-vested at beginning of period	47	\$ 70.06
Granted	1,275	2.50
Vested	—	—
Cancelled/forfeited	(47)	78.57
Non-vested at end of period	1,275	\$ 2.50

As of December 31, 2020, total compensation expense not yet recognized related to non-vested performance-based restricted stock units was \$3.0 million and the weighted-average period in which the expense is expected to be recognized is 1.9 years.

Performance-based, cash settled units

Cash-settled performance units activity for the year ended December 31, 2020 was as follows:

(share data in thousands)	Number of shares	Weighted-average grant date fair value
Non-vested at beginning of period	24	\$ 18.78
Granted	—	—
Vested	(19)	2.41
Cancelled/forfeited	(3)	102.28
Non-vested at end of period	2	\$ 140.30

Stock Appreciation Rights

In December 2018, we granted stock appreciation rights to certain employees (“Employee SARs”) and to a non-employee related party, BRPI Executive Consulting, LLC (“Non-employee SARs”). The Employee SARs and Non-employee SARs both expire ten years after the grant date and primarily vest 100% upon completion after the required years of service. Upon vesting, the Employee SARs and Non-employee SARs may be exercised within 10 business days following the end of any calendar quarter during which the volume weighted average share price is greater than the share price goal. Upon exercise of the SARs, holders receive a cash-settled payment equal to the number of SARs that are being exercised multiplied by the difference between the stock price on the date of exercise minus the SARs base price. Employee SARs are issued under the Fourth Amended and Restated 2015 LTIP, and Non-employee SARs are issued under a Non-employee SARs agreement. The liability method is used to recognize the accrued compensation expense with cumulatively adjusted revaluations to the then current fair value at each reporting date through final settlement.

We used the following assumptions to determine the fair value of the SARs granted to employees and non-employee as of December 31, 2020 and 2019:

	Year ended December 31,	
	2020	2019
Risk-free interest rate	0.74 %	1.89 %
Expected volatility	50 %	46 %
Expected life in years	7.72	8.71
Suboptimal exercise factor	2.0x	2.0x

In making these assumptions, we based estimated volatility on the historical returns of the Company's stock price and selected guideline companies. We based risk-free rates on the corresponding U.S. Treasury spot rates for the expected duration at the date of grant, which we convert to a continuously compounded rate. We relied upon a suboptimal exercise factor, representing the ratio of the base price to the stock price at the time of exercise, to account for potential early exercise

prior to the expiration of the contractual term. With consideration to the executive level of the SARs holders, a suboptimal exercise multiple of 2.0x was selected. Subject to vesting conditions, should the stock price achieve a value of 2.0x above the base price, we assume the holders will exercise prior to the expiration of the contractual term of the SARs. The expected term for the SARs is an output of our valuation model in estimating the time period that the SARs are expected to remain unexercised. Our valuation model assumes the holders will exercise their SARs prior to the expiration of the contractual term of the SARs.

The following table presents the changes in our outstanding employee SARs and non-employee SARs for the year ending December 31, 2020 and the associated weighted-average values:

(share data in thousands)	Number of employee SARs	Number of non-employee SARs	Total number of SARs	Weighted-average value	Weighted-average exercise price
Non-vested at beginning of period	168	844	1,012	\$ 0.51	\$ 23.44
Granted	—	—	—	—	—
Vested	(168)	(844)	(1,012)	0.49	23.44
Non-vested at end of period	—	—	—	\$ —	\$ —

As of December 31, 2020, the total intrinsic value of the vested SARs was \$3.3 million.

NOTE 18 – PROVISION FOR INCOME TAXES

Income (loss) before income taxes includes the following:

(in thousands)	Year ended December 31,	
	2020	2019
United States	\$ (65,591)	\$ (64,610)
Other than the United States	61,673	(59,837)
Loss before provision for income taxes	\$ (3,918)	\$ (124,447)

Significant components of the provision for income taxes are as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Current:		
Federal ⁽¹⁾	\$ (21)	\$ 534
State	246	454
Foreign	3,737	3,705
Total current provision	3,962	4,693
Deferred:		
Federal ⁽²⁾	1,084	(257)
State	—	—
Foreign	3,133	850
Total deferred provision	4,217	593
Provision for income taxes	\$ 8,179	\$ 5,286

⁽¹⁾ The 2020 amount reflects a benefit of \$0.6 million offsetting tax expense of \$0.6 million in discontinued operations pursuant to the guidance in paragraph 740-20-45-7 that requires all components, including discontinued operations, be considered when determining the tax benefit from a loss from continuing operations.

⁽²⁾ The 2020 amount reflects \$1.1 million of deferred tax expense as a result of the change in indefinite reinvestment assertion related to certain foreign subsidiaries.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income (loss) before the provision for income taxes.

The sources and tax effects of the differences are as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Income tax benefit at federal statutory rate	\$ (823)	\$ (26,134)
State and local income taxes	346	3,205
Foreign rate differential	2,422	2,053
Intra-entity debt restructuring ⁽¹⁾	2,908	—
Deferred taxes - change in tax rate	8,512	9,799
Non-deductible (non-taxable) items	1,963	4,190
Tax credits	(2,939)	144
Valuation allowances	(17,498)	56,254
Luxembourg impairment of investments	(30,603)	(65,848)
Accrual adjustments	405	(995)
Unrecognized tax benefits	37,387	(271)
Withholding taxes	1,416	1,331
Change in indefinite reinvestment assertion	1,084	—
Disallowed interest deductions	11,155	11,009
Return to provision and prior year true-up	(7,855)	9,875
Other	299	674
Income tax expense	\$ 8,179	\$ 5,286

⁽¹⁾ The 2020 amount reflects a restructuring of intercompany debt that resulted in the reduction of certain foreign net operating loss carryforwards.

Deferred income taxes reflect the tax effects of differences between the financial and tax bases of assets and liabilities.

Significant components of deferred tax assets and liabilities are as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Deferred tax assets:		
Pension liability	\$ 50,849	\$ 64,046
Other accruals	12,989	14,283
Long-term contracts	1,121	4,879
Net operating loss carryforward	399,321	386,949
State net operating loss carry forward	23,956	21,190
Interest limitation carryforward	38,539	37,221
Foreign tax credit carryforward	7,312	2,535
Property, plant and equipment	—	614
Other tax credits	3,270	3,243
Other	8,478	11,695
Total deferred tax assets	\$ 545,835	\$ 546,655
Valuation allowance for deferred tax assets	(536,251)	(539,791)
Total deferred tax assets, net	\$ 9,584	\$ 6,864
Deferred tax liabilities:		
Property, plant and equipment	\$ 2,763	\$ —
Unremitted earnings	1,084	—
Intangibles	9,449	8,785
Total deferred tax liabilities	13,296	8,785
Net deferred tax liabilities	\$ (3,712)	\$ (1,921)

At December 31, 2020, the Company has tax-effected foreign net operating loss (NOL) carryforwards of approximately \$356.8 million available to offset future taxable income in certain foreign jurisdictions. Of these foreign NOL carryforwards, \$185.5 million do not expire. The remaining foreign NOLs will expire between 2021 and 2037.

As December 31, 2020, the Company has tax-effected U.S. federal NOL carryforwards of approximately \$42.5 million. Of this amount, \$20.7 million will expire between 2031 and 2037. The remaining amount of U.S. NOL carryforward does not expire. A portion of the net operating loss carryforward is limited under Code Section 382. Approximately \$19.2 million of our U.S. federal NOL carryforward is not subject to the Code Section 382 limitation.

At December 31, 2020, the Company has tax-effected state NOL carryforwards of \$23.9 million available to offset future taxable income in various jurisdictions. Of this amount, \$23.3 million will expire between 2021 and 2040.

At December 31, 2020, the Company has tax-effected foreign tax credit carryforwards of \$7.3 million. These carryforwards will expire between 2021 and 2028.

At December 31, 2020, the Company has valuation allowances of \$536.3 million for deferred tax assets, which we expect will not be realized, through carrybacks, reversals of existing taxable temporary differences, estimates of future taxable income or tax-planning strategies. Deferred tax assets are evaluated for realizability under ASC 740, considering all positive and negative evidence. At December 31, 2020, our weighting of positive and negative evidence included an assessment of historical income by jurisdiction adjusted for nonrecurring items, as well as an evaluation of other qualitative factors such as the length and magnitude of pretax losses. The valuation allowances may be reversed in the future if sufficient positive evidence exists. Any reversal of our valuation allowance could be material to the income or loss for the period in which our assessment changes.

The net change during the year in the total valuation allowance is as follows:

(in thousands)	Year ended December 31,	
	2020	2019
Balance at beginning of period	\$ (539,791)	\$ (483,967)
Charges to costs and expenses	17,498	(56,254)
Charges to other accounts	(13,958)	430
Balance at end of period	\$ (536,251)	\$ (539,791)

Sections 382 and 383 of the Code limits, for U.S. federal income tax purposes, the annual use of NOL carryforwards (including previously disallowed interest carryforwards) and tax credit carryforwards, respectively, following an ownership change. Under Code Section 382, a company has undergone an ownership change if shareholders owning at least 5% of the company have increased their collective holdings by more than 50% during the prior three-year period. Based on information that is publicly available, the Company determined that a Section 382 ownership change occurred on July 23, 2019 as a result of the Equitization Transactions described in Part II, Item 7, Liquidity and Capital Resources, 2019 Rights Offering. As a result of this change in ownership, the Company estimated that the future utilization of our federal NOLs (and certain credits and previously disallowed interest deductions) will become limited to approximately \$1.2 million annually (\$0.3 million tax effected) The Company maintains a full valuation allowance on its U.S. deferred tax assets, including the deferred tax assets associated with the federal NOLs, credits and disallowed interest carryforwards.

Undistributed earnings of certain foreign subsidiaries amounted to approximately \$222.4 million. The Company no longer intends to assert indefinite reinvestment with respect to withholding taxes of \$1.1 million that could be assessed on the repatriation of \$14.3 million in undistributed earnings. The Company continues to assert indefinite reinvestment in the remaining \$208.1 million of existing earnings that are not expected to be distributed in the future. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to withholding taxes payable to the various foreign countries. The Company expects to take the 100% dividends received deduction to offset any U.S. federal taxable income on the undistributed earnings. Withholding taxes of approximately \$2.8 million would be payable upon remittance of these previously unremitted earnings.

We recognize the benefit of a tax position when we conclude that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. A recognized tax benefit is measured as the largest amount of benefit, on a cumulative probability basis, which is more likely-than-not to be realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Below is a tabular rollforward of the beginning and ending aggregate unrecognized tax benefits:

(in thousands)	Year ended December 31,	
	2020	2019
Balance at beginning of period	\$ 1,229	\$ 1,500
Increases based on tax positions taken in the current year	37,900	29
Increases based on tax positions taken in prior years	—	27
Decreases based on tax positions taken in prior years	(29)	(223)
Decreases due to settlements with tax authorities	—	—
Decreases due to lapse of applicable statute of limitation	(87)	(104)
Balance at end of period	\$ 39,013	\$ 1,229

Unrecognized tax benefits of \$0.8 million would, if recognized, impact the effective tax rate. The remaining balance of unrecognized tax benefits relates to deferred tax assets that, if recognized, would require a full valuation allowance. It is not expected that the amount of unrecognized tax benefits will change significantly during the next 12 months. We recognize interest and penalties related to unrecognized tax benefits in our provision for income taxes; however, such amounts are not significant to any period presented.

Tax years 2015 through 2019 remain open to assessment by the United States Internal Revenue Service and various state and international tax authorities. With few exceptions, we do not have any returns under examination for years prior to 2014. The United States Internal Revenue Service has completed examinations of the federal tax returns of our former parent, BWXT, through 2014, and all matters arising from such examinations have been resolved.

NOTE 19 – CONTINGENCIES

Litigation Relating to Boiler Installation and Supply Contract

On December 27, 2019, a complaint was filed against Babcock & Wilcox by P.H. Glatfelter Company (“Glatfelter”) in the United States District Court for the Middle District of Pennsylvania, Case No. 1:19-cv-02215-JPW, alleging claims of breach of contract, fraud, negligent misrepresentation, promissory estoppel and unjust enrichment (the “Glatfelter Litigation”). The complaint alleges damages in excess of \$58.9 million. On March 16, 2020 we filed a motion to dismiss, and on December 14, 2020 the court issued its order dismissing the fraud and negligent misrepresentation claims and finding that, in the event that parties’ contract is found to be valid, Plaintiffs’ claims for damages will be subject to the contractual cap on liability (defined as the \$11.7 million purchase price subject to certain adjustments). On January 11, 2021, we filed our Answer and a Counterclaim for breach of contract, seeking damages in excess of \$2.9 million. We intend to continue to vigorously litigate the action. However, given the preliminary stage of the litigation, it is too early to determine if the outcome of the Glatfelter Litigation will have a material adverse impact on our consolidated financial condition, results of operations or cash flows.

SEC Investigation

The U.S. SEC is conducting a formal investigation of the Company, focusing on the accounting charges and related matters involving the Company's B&W Renewable segment from 2015-2019. The SEC has served multiple subpoenas on the Company for documents. The Company is cooperating with the SEC related to the subpoenas and investigation. The SEC has taken testimony from past and current officers, directors, and employees in addition to also seeking testimony from certain third-parties. It is reasonably possible that the SEC may bring one or more claims against the Company and certain individuals. Due to the stage of the investigation, we are unable to estimate the amount of loss or range of potential loss of any claim. However, there can be no assurance that such claims will not have a material impact on the Company.

Stockholder Derivative and Class Action Litigation

On April 14, 2020, a putative B&W stockholder (“Plaintiff”) filed a derivative and class action complaint against certain of the Company’s directors (current and former), executives and significant stockholders (“Defendants”) and the Company (as a nominal defendant). The action was filed in the Delaware Court of Chancery and is captioned Parker v. Avril, et al., C.A. No. 2020-0280-PAF (“Stockholder Litigation”). Plaintiff alleges that Defendants, among other things, did not properly discharge their fiduciary duties in connection with the 2019 rights offering and related transactions. The case is currently in discovery. We believe that the outcome of the Stockholder Litigation will not have a material adverse impact on our consolidated financial condition, results of operations or cash flows, net of any insurance coverage.

Other

Due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including, among other things: performance or warranty-related matters under our customer and supplier contracts and other business arrangements; and workers' compensation, premises liability and other claims. Based on our prior experience, we do not expect that any of these other litigation proceedings, disputes and claims will have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

NOTE 20 – COMPREHENSIVE INCOME

Gains and losses deferred in accumulated other comprehensive income (loss) (“AOCI”) are generally reclassified and recognized in the Consolidated Statements of Operations once they are realized. The changes in the components of AOCI, net of tax, for the year ended December 31, 2020 and 2019 were as follows:

(in thousands)	Currency translation (loss) gain	Net unrealized gain (loss) on derivative instruments	Net unrecognized loss related to benefit plans	Total
Balance at December 31, 2018	\$ (10,834)	\$ 1,362	\$ (1,960)	\$ (11,432)
Other comprehensive income (loss) before reclassifications	13,401	(1,367)	—	12,034
Reclassified from AOCI to net income (loss)	3,176	202	(1,857)	1,521
Amounts reclassified from AOCI to advanced billings on contracts	—	(197)	—	(197)
Net other comprehensive income (loss)	16,577	(1,362)	(1,857)	13,358
Balance at December 31, 2019	\$ 5,743	\$ —	\$ (3,817)	\$ 1,926
Other comprehensive loss before reclassifications	(53,318)	—	—	(53,318)
Reclassified from AOCI to net income (loss)	—	—	(998)	(998)
Net other comprehensive loss	(53,318)	—	(998)	(54,316)
Balance at December 31, 2020	\$ (47,575)	\$ —	\$ (4,815)	\$ (52,390)

The amounts reclassified out of AOCI by component and the affected Consolidated Statements of Operations line items are as follows (in thousands):

AOCI component	Line items in the Consolidated Statements of Operations affected by reclassifications from AOCI	Year ended December 31,	
		2020	2019
Release of currency translation gain with the sale of business	Loss on sale of business	\$ —	\$ (3,176)
Derivative financial instruments	Other – net	\$ —	\$ (202)
Amortization of prior service cost on benefit obligations	Benefit plans, net	\$ 998	\$ 1,857

NOTE 21 – FAIR VALUE MEASUREMENTS

The following tables summarize our financial assets and liabilities carried at fair value, all of which were valued from readily available prices or using inputs based upon quoted prices for similar instruments in active markets (known as “Level 1” and “Level 2” inputs, respectively, in the fair value hierarchy established by the FASB Topic, *Fair Value Measurements and Disclosures*).

(in thousands)

Available-for-sale securities	December 31, 2020	Level 1	Level 2
Corporate notes and bonds	\$ 6,139	\$ 6,139	\$ —
Mutual funds	636	—	636
Corporate Stocks	4,168	4,168	—
United States Government and agency securities	4,365	4,365	—
Total fair value of available-for-sale securities	\$ 15,308	\$ 14,672	\$ 636

(in thousands)

Available-for-sale securities	December 31, 2019	Level 1	Level 2
Corporate notes and bonds	\$ 8,310	\$ 8,310	\$ —
Mutual funds	587	—	587
United States Government and agency securities	3,868	3,868	—
Total fair value of available-for-sale securities	\$ 12,765	\$ 12,178	\$ 587

Available-For-Sale Securities

Our investments in available-for-sale securities are presented in *other assets* on our Consolidated Balance Sheets with contractual maturities ranging from 0-6 years.

Other Financial Instruments

We used the following methods and assumptions in estimating our fair value disclosures for our other financial instruments:

- *Cash and cash equivalents and restricted cash and cash equivalents.* The carrying amounts that we have reported in the accompanying Consolidated Balance Sheets for cash and cash equivalents and restricted cash and cash equivalents approximate their fair values due to their highly liquid nature.
- *Revolving debt and Last Out Term Loans.* We base the fair values of debt instruments on quoted market prices. Where quoted prices are not available, we base the fair values on Level 2 inputs such as the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or on estimated prices based on current yields for debt issues of similar quality and terms. The fair value of our debt instruments approximated their carrying value at December 31, 2020 and 2019.
- *Warrants.* The fair value of the warrants was established using the Black-Scholes option pricing model value approach.

NOTE 22 – RELATED PARTY TRANSACTIONS

The Letter Agreement entered into on April 5, 2019, pursuant to which the parties agreed to use their reasonable best efforts to effect a series of equitization transactions for a portion of the Last Out Term Loans, between B. Riley, Vintage and the Company included agreement to negotiate one or more agreements that provide B. Riley and Vintage with certain governance rights, including (i) the right for B. Riley and Vintage to each nominate up to three individuals to serve on our board of directors, subject to certain continued lending and equity ownership thresholds and (ii) pre-emptive rights permitting B. Riley to participate in future issuances of our equity securities. The Company also entered into a Registration Rights Agreement with B. Riley and Vintage on April 30, 2019 providing each with certain customary registration rights for the shares of our common stock that they hold. On April 30, 2019, the Company entered into an Investor Rights Agreement with B. Riley and Vintage providing the governance rights contemplated by the Letter Agreement.

Transactions with B. Riley

Based on its Schedule 13D filings, B. Riley beneficially owns 32.5% of our outstanding common stock as of December 31, 2020.

B. Riley is party to the Last Out Term Loans as described in Note 15 and also provided the B. Riley Guaranty as described in Note 14.

In connection with the B. Riley Guaranty, the Company entered into the Fee and Interest Equitization Agreement described in Note 14. Under the Equitization Agreement the Company issued 1.7 million shares of unregistered common stock on June 8, 2020, 1.2 million shares of unregistered common stock on June 30, 2020, 2.3 million shares of unregistered common stock on September 30, 2020 and 2.4 million shares of unregistered common stock on December 31, 2020 to B. Riley in satisfaction of the B. Riley Guaranty Fee and payment of certain interest payments described in Note 14. All of these issued shares are unregistered.

We entered an agreement with BRPI Executive Consulting, LLC, an affiliate of B. Riley, on November 19, 2018 for the services of Mr. Kenny Young, to serve as our Chief Executive Officer until November 30, 2020, unless terminated by either party with thirty days written notice. On November 9, 2020 we amended the agreement with BRPI Executive Consulting, LLC to extend the services of Mr. Kenny Young to serve as our Chief Executive Officer until December 31, 2023. Under this agreement, payments are \$0.75 million per annum, paid monthly. Subject to the achievement of certain performance objectives as determined by the Compensation Committee of the Board, a bonus or bonuses may also be earned and payable to BRPI Executive Consulting, LLC. In June 2019, we granted a total of \$2.0 million in cash bonuses to BRPI Executive Consulting LLC for Mr. Young's performance and services. In April 2020, we temporarily deferred the monthly fee paid to BRPI Executive Consulting, LLC for the services of our Chief Executive Officer by 50% as described in Note 1.

Total fees associated with B. Riley related to the Last Out Term Loans and services of Mr. Kenny Young, both as described above, were \$7.4 million and \$12.4 million for the years ended December 31, 2020 and 2019, respectively.

On November 13, 2020 we entered into an agreement with B. Riley Principal Merger Corp. II, an affiliate of B. Riley, to purchase 200,000 shares of Class A common stock of Eos Energy Storage LLC for an aggregate purchase price of \$2.0 million. The shares were subsequently sold in January 2021 for which the Company recognized net proceeds of \$4.5 million.

On August 10, 2020, B. Riley Financial, Inc. entered into a project specific indemnity rider (the "Indemnity Rider") to the General Agreement of Indemnity, dated May 28, 2015, between us and Berkley Insurance Company (the "Surety"). Pursuant to the terms of the Indemnity Rider, B. Riley will indemnify the Surety for losses the Surety may incur as a result of providing a payment and performance bond in an aggregate amount not to exceed \$30.0 million in connection with our proposed performance on a specified project. In consideration of B. Riley's execution of the Indemnity Rider, we paid B. Riley a fee of \$0.6 million following the issuance of the bond by the Surety, which represents approximately 2.0% of the bonded obligations. Under the A&R Credit Agreement, any draw or claim under the Indemnity Rider will convert into a Tranche A-5 Last Out Term Loan for the benefit of B. Riley.

Refer to Note 14 and Note 15 for additional related party transactions with B. Riley and its affiliates related to our Revolving Debt and Last Out Term Loans. Refer to Note 25 for additional related party transactions with B. Riley and its affiliates regarding the subsequent events in conjunction with the 2021 Common Stock Offering, 2021 Senior Notes Offering, 2021 Exchange Agreement and payment of \$75 million towards our existing Last Out Term Loans.

Transactions with Vintage Capital Management, LLC

Based on its Schedule 13D filings, Vintage beneficially owns 19.7% of our outstanding common stock as of December 31, 2020.

NOTE 23 – ASSETS HELD FOR SALE, DIVESTITURES AND DISCONTINUED OPERATIONS

Assets Held for Sale

Assets held for sale are required to be recorded at the lower of carrying value or fair value less any costs to sell.

In December 2020, we determined that certain fixed assets within the B&W Thermal segment met the criteria to be classified as held for sale. At December 31, 2020, the carrying value of the assets held for sale was lower than the estimated fair value less costs to sell.

In December 2019, we determined that a small business within the B&W Thermal segment met the criteria to be classified as held for sale. At December 31, 2020, the carrying value of the net assets planned to be sold approximated the estimated fair value less costs to sell. The sale closed March 8, 2021.

The sale of the fixed assets and the divestiture of the business held for sale could result in a gain or loss on sale to the extent the ultimate selling price differs from the current carrying value of the net assets recorded. The sales are expected to be completed in 2021.

The following table summarizes the carrying value of the assets and liabilities held for sale at December 31, 2020:

(in thousands)	December 31, 2020	December 31, 2019
Accounts receivable – trade, net	\$ 2,103	\$ 5,472
Accounts receivable – other	86	147
Contracts in progress	458	586
Inventories	1,676	1,555
Other current assets	405	329
Current assets held for sale	4,728	8,089
Net property, plant and equipment	10,365	6,534
Intangible assets	759	725
Right-of-use-asset	32	63
Non-current assets held for sale	11,156	7,322
Total assets held for sale	\$ 15,884	\$ 15,411
Accounts payable	\$ 5,211	\$ 7,898
Accrued employee benefits	178	430
Advance billings on contracts	370	227
Accrued warranty expense	466	515
Operating lease liabilities	32	6
Other accrued liabilities	2,048	462
Current liabilities held for sale	\$ 8,305	\$ 9,538

Assets Held for Sale - Subsequent Event

On January 21, 2021, we entered into a definitive agreement for the sale of a small business within the B&W Thermal segment that was classified as held for sale for a total sales price of \$2.8 million. The sale closed on March 8, 2021.

Divestitures

On March 17, 2020, we fully settled the remaining escrow associated with the sale of PBRRC and received \$4.5 million in cash.

Effective May 31, 2019, we sold all of the issued and outstanding capital stock of Loibl, a material handling business in Germany, to Lynx Holding GmbH for €10.0 million (approximately \$11.4 million), subject to adjustment. We received \$7.4 million in cash and recognized a \$3.6 million pre-tax loss on sale of this business in 2019, net of \$0.7 million in transaction costs. Proceeds from the transaction were primarily used to reduce outstanding balances under our U.S. Revolving Credit Facility.

Discontinued Operations

On April 6, 2020, we fully settled the remaining escrow associated with the sale of the MEGTEC and Universal businesses and received \$3.5 million in cash.

NOTE 24 – NEW ACCOUNTING STANDARDS

New accounting standards not yet adopted that could affect our Consolidated Financial Statements in the future are summarized as follows:

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815 – 40)*. The amendments in this update simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity by removing major separation models required under current U.S. GAAP. The amendments also improve the consistency of diluted earnings per share calculations. The amendments in this update are effective for public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We are currently evaluating the impact of the standard on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform of Financial Reporting*. The amendments in this update provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The amendments in this update are effective for all entities upon issuance and may be adopted any date on or after March 12, 2020 up to December 31, 2022. We are currently evaluating the impact of the standard on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this update simplify the accounting for income taxes by removing exceptions related to the incremental approach for intra-period tax allocation, certain deferred tax liabilities, and the general methodology for calculating income taxes in an interim period. The amendment also provides simplification related to accounting for franchise (or similar) tax, evaluating the tax basis step up of goodwill, allocation of consolidated current and deferred tax expense, reflection of the impact of enacted tax law or rate changes in annual effective tax rate calculations in the interim period that includes enactment date, and other minor codification improvements. For public business entities, the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption of the amendments is permitted, including adoption in any interim period for public business entities for periods in which financial statements have not yet been issued. We are currently evaluating the impact of the standard on our consolidated financial statements, however, we do not expect the adoption of this update will have a material impact.

In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326: Financial Instruments - Credit Losses*. This update is an amendment to the new credit losses standard, ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, that was issued in June 2016 and clarifies that operating lease receivables are not within the scope of Topic 326. The new credit losses standard changes the accounting for credit losses for certain instruments. The new measurement approach is based on expected losses, commonly referred to as the current expected credit loss (CECL) model, and applies to financial assets measured at amortized cost, including loans,

held-to-maturity debt securities, net investment in leases, and reinsurance and trade receivables, as well as certain off-balance sheet credit exposures, such as loan commitments. The standard also changes the impairment model for available-for-sale debt securities. The provisions of this standard will primarily impact the allowance for doubtful accounts on our trade receivables, contracts in progress, and potentially our impairment model for available-for-sale debt securities (to the extent we have any upon adoption). For public, smaller reporting companies, this standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We are currently evaluating the impact of both standards on our consolidated financial statements.

NOTE 25– SUBSEQUENT EVENTS

2021 Common Stock Offering

On February 12, 2021, we completed a public offering of our common stock, par value \$0.01 per share (“Common Stock”). The offering was conducted pursuant to an underwriting agreement (the “Underwriting Agreement”) dated February 9, 2021, between us and B. Riley Securities, Inc., as representative of the several underwriters (the “Underwriters”). At the closing, we issued 29,487,180 shares of Common Stock, inclusive of 3,846,154 shares of Common Stock issued pursuant to the full exercise of the Underwriter’s option to purchase Common Stock. We received gross proceeds of approximately \$172.5 million from the 2021 common stock offering. Net proceeds received were approximately \$163 million after deducting underwriting discounts and commissions, but before expenses.

The net proceeds of the Common Stock offering and the Senior Notes offering, described below, are expected to be used to support our clean energy growth initiatives, to make a prepayment towards the outstanding U.S. Revolving Credit Facility and permanently reduce the commitments under our senior secured credit facilities.

2021 Senior Notes Offering

On February 12, 2021, we completed a public offering of \$120 million aggregate principal amount of our 8.125% senior notes due 2026 (the “Senior Notes”). The offering was conducted pursuant to an underwriting agreement (the “Notes Underwriting Agreement”) dated February 10, 2021, between us and B. Riley Securities, Inc., as representative of the several underwriters (the “Underwriters”). At the completion, we received gross proceeds of approximately \$125 million aggregate principal amount of Senior Notes, inclusive of \$5 million aggregate principal amount of Senior Notes issued pursuant to the full exercise of the Underwriter’s option to purchase Senior Notes. Net proceeds received were approximately \$120 million after deducting underwriting discounts and commissions, but before expenses.

In addition to the public offering, we issued \$35 million of Senior Notes to B. Riley Financial, Inc. in exchange for a deemed prepayment of our existing Last Out Term Loan' Tranche A-3 in a concurrent private offering,

On February 12, 2021, we also entered into an indenture (the “Base Indenture”) and a supplemental indenture (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”) with The Bank of New York Mellon Trust Company National Association, as trustee (the “Trustee”), among the Company and the Trustee. The Indenture establishes the form and provides for the issuance of the Senior Notes.

The Senior Notes are senior unsecured obligations of the Company and rank equally in right of payment with all of the Company’s other existing and future senior unsecured and unsubordinated indebtedness. The Senior Notes are effectively subordinated in right of payment to all of the Company’s existing and future secured indebtedness and structurally subordinated to all existing and future indebtedness of the Company’s subsidiaries, including trade payables. The Notes bear interest at the rate of 8.125% per annum. Interest on the Senior Notes is payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year, commencing on April 30, 2021. The Notes will mature on February 28, 2026.

We may, at our option, at any time and from time to time, redeem the Senior Notes for cash in whole or in part (i) on or after February 28, 2022 and prior to February 28, 2023, at a price equal to \$25.75 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption, (ii) on or after February 28, 2023 and prior to February 29, 2024, at a price equal to \$25.50 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption, (iii) on or after February 29, 2024 and prior to February 28, 2025, at a price equal to \$25.25 per Senior Note, plus accrued and unpaid interest to, but excluding, the date of redemption and (iv) on or after February 28, 2025 and prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption. On and after any redemption date, interest will cease to accrue on the redeemed Notes.

The Indenture contains customary events of default and cure provisions. If an uncured default occurs and is continuing, the Trustee or the holders of at least 25% of the principal amount of the Senior Notes may declare the entire amount of the Senior Notes, together with accrued and unpaid interest, if any, to be immediately due and payable. In the case of an event of default involving the Company's bankruptcy, insolvency or reorganization, the principal of, and accrued and unpaid interest on, the principal amount of the Senior Notes, together with accrued and unpaid interest, if any, will automatically, and without any declaration or other action on the part of the Trustee or the holders of the Senior Notes, become due and payable.

2021 Exchange Agreement

On February 12, 2021, the Company and B. Riley entered into a letter agreement (the "Exchange Agreement") pursuant to which we agreed to issue to B. Riley \$35 million aggregate principal amount of Senior Notes in exchange for a deemed prepayment of \$35 million of our existing Tranche A term loan with B. Riley Financial (the "Exchange"). The Exchange Agreement also provides that, promptly following the date of the Exchange Agreement, the parties thereto will negotiate in good faith and use commercially reasonable efforts to enter into an agreement providing B. Riley or its designated affiliates with customary registration rights in respect of the Senior Notes issued to B. Riley in the Exchange.

On February 12, 2021, we issued \$35 million of Senior Notes to B. Riley Financial, Inc. in exchange for a deemed prepayment of our existing Last Out Term Loan' Tranche A-6. The interest rate on the remaining Last Out Term Loan Tranche A balances has been reduced to 6.625% from 12.0%.

Amendments to the A&R Credit Agreement

On February 8, 2021, we entered into A&R Amendment No. 2 with Bank of America. A&R Amendment No. 2, among other matters, (i) permits the issuance of the Senior Notes in the 2021 senior notes offering described above, (ii) permits the deemed prepayment of \$35 million of our Tranche A term loan with \$35 million principal amount of Senior Notes, (iii) provides that 75% of the Senior Notes gross proceeds shall be used to repay outstanding borrowings and permanently reduce the commitments under our senior secured credit facilities, and (iv) provide that \$5 million of certain previously deferred facility fees will be paid by the Company.

On March 4, 2021, we entered into A&R Amendment No. 3 with Bank of America. A&R Amendment No. 3, among other matters, at the date of effectiveness (i) permits the prepayment of certain term loans, (ii) reduces the revolving credit commitments to \$130 million and removes the ability to obtain revolving loans under the credit agreement, and (iii) amends certain covenants and conditions to the extension of credit.

On March 4, 2021, effective with the execution of Amendment No. 3, we paid \$75 million towards our existing Last Out Term Loans and paid \$21.8 million of accrued and deferred fees related to the revolving credit facility.

U.S. Revolving Credit Facility

On February 12, 2021, we received gross proceeds of \$125 million from the 2021 Senior Notes offering. As required by the Company's U.S. Revolving Credit Facility, 75% of the gross proceeds or \$93.8 million received by the Company was applied as a permanent reduction of the U.S. Revolving Credit Facility as of February 12, 2021.

Also on February 16, 2021, we prepaid \$167.1 million towards the outstanding U.S. Revolving Credit Facility.

As of March 4, 2021, effective with Amendment No. 3 to the A&R Credit Agreement described above, the U.S. Revolving Credit Facility provides for an aggregate letters of credit amount of up to \$130 million.

Related Parties

The Common Stock offering was conducted pursuant to an underwriting agreement dated February 9, 2021, between us and B. Riley Securities, Inc., as representative of the several underwriters. At the closing date on February 12, 2021, we issued 3,846,154 shares of Common Stock to B. Riley Securities, Inc. pursuant to the full exercise of the Underwriter's option to purchase common stock. We received gross proceeds of approximately \$22.5 million for the common stock issued to B. Riley Securities, Inc.. Also on February 12, 2021, we paid B. Riley Securities, Inc. \$9.5 million for underwriting fees and other transaction cost related to the Common Stock offering.

The Senior Notes offering was conducted pursuant to an underwriting agreement dated February 10, 2021, between us and B. Riley Securities, Inc., as representative of several underwriters. At the closing date on February 12, 2021, we received gross proceeds of approximately \$5.0 million for the senior notes issued to B. Riley Securities, Inc.. Also on February 12, 2021, we paid B. Riley Securities, Inc. \$5.2 million for underwriting fees and other transaction cost related to the Senior Notes offering.

On February 12, 2021, the Company and B. Riley entered into a Letter Agreement (the “Exchange Agreement”) pursuant to which we agreed to issue to B. Riley \$35 million aggregate principal amount of Senior Notes in exchange for a deemed prepayment of \$35 million of our existing Tranche A term loan with B. Riley Financial (the “Exchange”).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures*Disclosure Controls and Procedures*

As of the end of the period covered by this report, the Company's management, with the participation of our Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Our disclosure controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. It should be noted that the design of any system of disclosure controls and procedures is based in part upon various assumptions about the likelihood of future events, and we cannot assure that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Based on the evaluation referred to above, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures are effective as of December 31, 2020 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding disclosure.

Management's Report on Internal Control Over Financial Reporting

B&W's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting includes, among other things, policies and procedures for conducting business, information systems for processing transactions and an internal audit department. Mechanisms are in place to monitor the effectiveness of our internal control over financial reporting and actions are taken to remediate identified internal control deficiencies. Our procedures for financial reporting include the involvement of senior management, our Audit and Finance Committee and our staff of financial and legal professionals. Our financial reporting process and associated internal controls were designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of our Consolidated Financial Statements for external reporting in accordance with accounting principles generally accepted in the United States of America.

Management, with the participation of our principal executive and financial officers, assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. Management based its assessment on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance as to its effectiveness and may not prevent or detect misstatements. Further, because of changing conditions, effectiveness of internal control over financial reporting may vary over time. Based on our assessment, management has concluded that B&W's internal control over financial reporting was effective at the reasonable assurance level described above as of December 31, 2020.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting, despite the fact that some of our team members are working remotely in response to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to ensure their operating effectiveness.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to directors is incorporated by reference to the material appearing under the heading “Election of Directors” in the Proxy Statement for our 2021 Annual Meeting of Stockholders. The information required by this item with respect to compliance with section 16(a) of the Securities and Exchange Act of 1934, as amended, is incorporated by reference to the material appearing under the heading “Section 16(a) Beneficial Ownership Compliance” in the Proxy Statement for our 2021 Annual Meeting of Stockholders. The information required by this item with respect to the Audit Committee and Audit and Finance Committee financial experts is incorporated by reference to the material appearing in the “Director Independence” and “Audit and Finance Committee” sections under the heading “Corporate Governance – Board of Directors and Its Committees” in the Proxy Statement for our 2021 Annual Meeting of Stockholders.

We have adopted a Code of Business Conduct for our employees and directors, including, specifically, our chief executive officer, our chief financial officer, our chief accounting officer, and our other executive officers. Our code satisfies the requirements for a “code of ethics” within the meaning of SEC rules. A copy of the code is posted on our web site, www.babcock.com under “Investor Relations – Corporate Governance – Highlights.” We intend to disclose promptly on our website any amendments to, or waivers of, the code covering our chief executive officer, chief financial officer and chief accounting officer.

EXECUTIVE OFFICERS

Our executive officers and their ages as of March 1, 2021, are as follows:

Name	Age	Position
Kenneth Young	57	Chairman and Chief Executive Officer
Louis Salamone	74	Executive Vice President, Chief Financial Officer and Chief Accounting Officer
Jimmy B. Morgan	52	Chief Operating Officer
John J. Dziewisz	55	Senior Vice President and Corporate Secretary
Robert M. Caruso	58	Chief Implementation Officer

Kenneth Young has served as our Chief Executive Officer since November 2018 and as the Chairman of our Board of Directors since September 2020. Mr. Young also serves as the President of B. Riley Financial, Inc. (“B. Riley”), a provider of collaborative financial services and solutions, since July 2018, and as Chief Executive Officer of B. Riley’s subsidiary, B. Riley Principal Investments, since October 2016. From August 2008 to March 2016, Mr. Young served as the President and Chief Executive Officer of Lightbridge Communications Corporation (f/k/a LCC International, Inc.), a provider of integrated end-to-end solutions for wireless voice and data communications networks. Mr. Young has served as a member of the boards of directors of Globalstar, Inc. since 2015, Orion Energy Systems, Inc. since 2017, Liberty Tax, Inc. since 2018 and bebe stores, inc. since 2018. Mr. Young previously served as a member of the boards of directors of B. Riley from 2015 to 2016 and Standard Diversified Opportunities Inc. from 2015 to 2017.

Louis Salamone has served as our Executive Vice President, Chief Financial Officer and Chief Accounting Officer since August 2019. Before that, Mr. Salamone served as our Chief Financial Officer since February 2019. Prior to that, Mr.

Salamone served as the Company's Executive Vice President of Finance since November 2018. Mr. Salamone also served as an advisor to MDx Diagnostics, LLC, a provider of medical devices, from December 2017 until February 2019. From April 2013 until December 2017, Mr. Salamone served as Chief Financial Officer of CityMD, an urgent care provider. Prior to joining CityMD, Mr. Salamone was Vice President and Chief Financial Officer of OpenPeak Inc., a provider of mobile cybersecurity solutions, from April 2009 until March 2013, and Executive Vice President and Chief Financial Officer of LCC, from June 2006 until April 2009.

Jimmy B. Morgan has served as our Chief Operating Officer of The Babcock & Wilcox Company since August 2020. He has also served as Managing Director of our Babcock & Wilcox Vølund subsidiary since Mach 2020. Previously, Mr. Morgan served as our Senior Vice President, Babcock & Wilcox from January 2019 to August 2020. From December 2016 until January 2019, Mr. Morgan served as Senior Vice President, Renewable, including our Babcock & Wilcox Vølund subsidiary and Babcock & Wilcox's operations and maintenance services businesses. From August 2016 to December 2016, he served as Senior Vice President, Operations. He was Vice President, Operations from May 2016 to August 2016 and was Vice President and General Manager of Babcock & Wilcox Construction Co., Inc. from February 2016 to May 2016. Before joining Babcock & Wilcox, he was President for Allied Technical Resources, Inc., a technical staffing company, from September 2013 to January 2016. Previous positions included serving as Chief Operating Officer with BHI Energy, Vice President of Installation and Modification Services with Westinghouse Electric Company, and as Managing Director for AREVA T&D. He began his career with Duke Energy.

John J. Dziejewicz has served as our Senior Vice President and Corporate Secretary since February 1, 2020. He also serves as the Company's Chief Compliance Officer and the General Counsel of The Babcock & Wilcox Company. Previously, Mr. Dziejewicz served as our Vice President, Assistant General Counsel & Chief Compliance Officer from January 2019 to February 2020. From June 2013 until January 2019, Mr. Dziejewicz served as Assistant General Counsel, Operations & Intellectual Property. From June 2005 until June 2013, Mr. Dziejewicz served as Managing Attorney with the Company. Mr. Dziejewicz joined the Company in 1997.

Robert M. Caruso has served as our Chief Implementation Officer since April 2018. He works closely with the Company's executive leadership team to review financial and operational strategies, and revenue and profitability enhancement opportunities. Mr. Caruso also serves as a Managing Director of Alvarez & Marsal's North American Commercial Restructuring practice ("NACR") since September 2006. He is a member of the NACR Executive Committee and co-leads the NACR Midwest Region.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the material appearing under the headings "Compensation of Directors" and "Compensation of Executive Officers" in the Proxy Statement for our 2021 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table provides information on our equity compensation plans as of December 31, 2020:

(share data in thousands)

Plan Category	Equity compensation plans approved by security holders
Number of securities to be issued upon exercise of outstanding options and rights	4,106
Weighted-average exercise price of outstanding options and rights	\$12.00
Number of securities remaining available for future issuance	965

The other information required by this item is incorporated by reference to the material appearing under the headings "Security Ownership of Directors and Executive Officers" and "Security Ownership of Certain Beneficial Owners" in the Proxy Statement for our 2021 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item is incorporated by reference to the material appearing under the headings “Corporate Governance – Director Independence” and “Certain Relationships and Related Transactions” in the Proxy Statement for our 2021 Annual Meeting of Stockholders.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the material appearing under the heading “Ratification of Appointment of Independent Registered Public Accounting Firm for Year Ending December 31, 2021” in the Proxy Statement for our 2021 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits

- [2.1*](#) Master Separation Agreement, dated as of June 8, 2015, between The Babcock & Wilcox Company and Babcock & Wilcox Enterprises, Inc. (incorporated by reference to Exhibit 2.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [3.1](#) Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [3.2](#) Certificate of Amendment of the Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on June 17, 2019 (File No. 001-36876)).
- [3.3](#) Certificate of Amendment of the Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on July 24, 2019 (File No. 001-36876)).
- [3.4](#) Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-36876)).
- [4.1](#) Form of Warrant (incorporated by reference to Exhibit 4.1 of the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on July 24, 2019 (File No. 001-36876)).
- [4.2](#) Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36876)).
- [4.3](#) Indenture dated February 12, 2021 (incorporated by reference to Exhibit 4.1 to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on February 12, 2021 (File No. 001-36876)).
- [4.4](#) Supplemental Indenture dated February 12, 2021 (incorporated by reference to Exhibit 4.2 to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on February 12, 2021 (File No. 001-36876)).
- [4.5](#) Form of 8.125% Senior Note Due 2026 (included in Exhibit 4.4)
- [10.1](#) Tax Sharing Agreement, dated as of June 8, 2015, by and between The Babcock & Wilcox Company and Babcock & Wilcox Enterprises, Inc. (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.2](#) Employee Matters Agreement, dated as of June 8, 2015, by and between The Babcock & Wilcox Company and Babcock & Wilcox Enterprises, Inc. (incorporated by reference to Exhibit 10.2 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).

- [10.3](#) Transition Services Agreement, dated as of June 8, 2015, between The Babcock & Wilcox Company, as service provider, and Babcock & Wilcox Enterprises, Inc., as service receiver (incorporated by reference to Exhibit 10.3 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.4](#) Transition Services Agreement, dated as of June 8, 2015, between Babcock & Wilcox Enterprises, Inc., as service provider, and The Babcock & Wilcox Company, as service receiver (incorporated by reference to Exhibit 10.4 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.5](#) Assumption and Loss Allocation Agreement, dated as of June 19, 2015, by and among ACE American Insurance Company and the Ace Affiliates (as defined therein), Babcock & Wilcox Enterprises, Inc. and The Babcock & Wilcox Company (incorporated by reference to Exhibit 10.5 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.6](#) Reinsurance Novation and Assumption Agreement, dated as of June 19, 2015, by and among ACE American Insurance Company and the Ace Affiliates (as defined therein), Creole Insurance Company and Dampkraft Insurance Company (incorporated by reference to Exhibit 10.6 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.7](#) Novation and Assumption Agreement, dated as of June 19, 2015, by and among The Babcock & Wilcox Company, Babcock & Wilcox Enterprises, Inc., Dampkraft Insurance Company and Creole Insurance Company (incorporated by reference to Exhibit 10.7 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.8†](#) Babcock & Wilcox Enterprises, Inc. Amended and Restated 2015 Long-Term Incentive Plan (Amended and Restated as of June 14, 2019) (incorporated by reference to Appendix G to the Babcock & Wilcox Enterprises, Inc. Definitive Proxy Statement filed with the Securities and Exchange Commission on May 13, 2019).
- [10.9†](#) Babcock & Wilcox Enterprises, Inc. Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.9 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.10†](#) Babcock & Wilcox Enterprises, Inc. Management Incentive Compensation Plan (incorporated by reference to Exhibit 10.10 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.11†](#) Supplemental Executive Retirement Plan of Babcock & Wilcox Enterprises, Inc. (incorporated by reference to Exhibit 10.11 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.12†](#) Babcock & Wilcox Enterprises, Inc. Defined Contribution Restoration Plan (incorporated by reference to Exhibit 10.12 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.13](#) Intellectual Property Agreement, dated as of June 26, 2015, between Babcock & Wilcox Power Generation Group, Inc. and BWXT Foreign Holdings, LLC (incorporated by reference to Exhibit 10.13 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.14](#) Intellectual Property Agreement, dated as of June 27, 2015, between Babcock & Wilcox Technology, Inc. and Babcock & Wilcox Investment Company (incorporated by reference to Exhibit 10.14 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.15](#) Intellectual Property Agreement, dated as of May 29, 2015, between Babcock & Wilcox Canada Ltd. and B&W PGG Canada Corp. (incorporated by reference to Exhibit 10.15 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).

- [10.16](#) Intellectual Property Agreement, dated as of May 29, 2015, between Babcock & Wilcox mPower, Inc. and Babcock & Wilcox Power Generation Group, Inc. (incorporated by reference to Exhibit 10.16 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.17](#) Intellectual Property Agreement, dated as of June 26, 2015, between The Babcock & Wilcox Company and Babcock & Wilcox Enterprises, Inc. (incorporated by reference to Exhibit 10.17 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.18†](#) Form of Change-in-Control Agreement, by and between Babcock & Wilcox Enterprises, Inc. and certain officers for officers elected prior to August 4, 2016 (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-36876)).
- [10.19†](#) Form of Restricted Stock Grant Agreement (Spin-off Award) (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (File No. 001-36876)).
- [10.20†](#) Form of Restricted Stock Units Grant Agreement (incorporated by reference to Exhibit 10.2 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (File No. 001-36876)).
- [10.21†](#) Form of Stock Option Grant Agreement (incorporated by reference to Exhibit 10.3 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (File No. 001-36876)).
- [10.22†](#) Form of Performance Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.23 to the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-36876)).
- [10.23](#) Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.24 to the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-36876)).
- [10.24](#) Form of Change-in-Control Agreement, by and between Babcock & Wilcox Enterprises, Inc. and certain officers for officers elected on or after August 4, 2016 (incorporated by reference to Exhibit 10.2 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (File No. 001-36876)).
- [10.25†](#) Form of Performance Unit Award Grant Agreement (Cash Settled) (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (File No. 001-36876)).
- [10.26†](#) Form of Special Restricted Stock Unit Award Grant Agreement (incorporated by reference to Exhibit 10.2 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (File No. 001-36876)).
- [10.27](#) Babcock & Wilcox Enterprises, Inc., Severance Plan, as revised effective June 1, 2018 (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (File No. 001-36876)).
- [10.28†](#) Consulting Agreement dated November 19, 2018 between Babcock & Wilcox Enterprises, Inc., and BRPI Executive Consulting (incorporated by reference to Exhibit 10.49 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-36876)).

- [10.29†](#) Executive Employment Agreement dated November 19, 2018 between Babcock & Wilcox Enterprises, Inc. and Louis Salamone (incorporated by reference to Exhibit 10.50 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-36876)).
- [10.30†](#) Executive Employment Agreement dated November 19, 2018 between Babcock & Wilcox Enterprises, Inc. and Henry Bartoli, as amended (incorporated by reference to Exhibit 10.30 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36876)).
- [10.31†](#) Form of Stock Appreciation Right Award Grant Agreement (incorporated by reference to Exhibit 10.52 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-36876)).
- [10.32](#) Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the Other Lenders Party Thereto (incorporated by reference to Exhibit 10.18 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (File No. 001-36876)).
- [10.33](#) Amendment No. 1 dated June 10, 2016 to Credit Agreement, dated May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent, and the other Lenders party thereto (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (File No. 001-36876)).
- [10.34](#) Amendment No. 2 dated February 24, 2017 to Credit Agreement, dated May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent, and the other Lenders party thereto (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-36876)).
- [10.35](#) Amendment No. 3 dated August 9, 2017, to Credit Agreement dated May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the Borrower, Bank of America, N.A., as administrative Agent and Lender, and the other Lenders party thereto (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (File No. 001-36876)).
- [10.36](#) Amendment No. 4 dated September 30, 2017, to Credit Agreement dated May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the Borrower, Bank of America, N.A., as administrative Agent and Lender, and the other Lenders party thereto (incorporated by reference to Exhibit 10.3 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 (File No. 001-36876)).
- [10.37](#) Amendment No. 5 dated March 1, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed March 5, 2018 (File No. 001-36876)).
- [10.38](#) Amendment No. 6 dated April 10, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed April 11, 2018 (File No. 001-36876)).
- [10.39](#) Consent and Amendment No. 7 dated May 31, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (File No. 001-36876)).
- [10.40](#) Amendment No. 8 dated August 9, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed August 13, 2018 (File No. 001-36876)).

- [10.41](#) Amendment No. 9 dated September 14, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (File No. 001-36876)).
- [10.42](#) Amendment No. 10 dated September 28, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (File No. 001-36876)).
- [10.43](#) Amendment No. 11 dated October 4, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (File No. 001-36876)).
- [10.44](#) Amendment No. 12 dated October 31, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (File No. 001-36876)).
- [10.45](#) Amendment No. 13 dated December 31, 2018, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.47 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-36876)).
- [10.46](#) Amendment No. 14 dated January 15, 2019 to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.48 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-36876)).
- [10.47‡](#) Amendment No. 15 and Limited Waiver dated March 19, 2019 to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.53 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2018 (File No. 001-36876)).
- [10.48‡](#) Amendment No. 16, dated April 5, 2019, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on April 5, 2019 (File No. 001-36876)).
- [10.49‡](#) Amendment No. 17, dated August 7, 2019, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.49 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36876)).
- [10.50‡](#) Amendment No. 18, dated December 31, 2019, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.50 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36876)).
- [10.51‡](#) Amendment No. 19, dated January 17, 2020, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.51 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36876)).

- [10.52†](#) Amendment No. 20, dated January 31, 2020, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.52 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36876)).
- [10.53](#) Investor Rights Agreement, dated as of April 30, 2019, by and among Babcock & Wilcox Enterprises, Inc., B. Riley FBR, Inc. and Vintage Capital Management, LLC (incorporated by reference to Exhibit 10.4 of the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (File No. 001-36876)).
- [10.54](#) Registration Rights Agreement, dated as of April 30, 2019, by and among Babcock & Wilcox Enterprises, Inc., and certain investors party thereto (incorporated by reference to Exhibit 10.5 of the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (File No. 001-36876)).
- [10.55†](#) Form of 2019 Restricted Stock Units Director Grant Agreement (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (File No. 001-36876)).
- [10.56](#) First Amendment to the Babcock & Wilcox Enterprises, Inc. Defined Contribution Restoration Plan. (incorporated by reference to Exhibit 10.56 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36876)).
- [10.57](#) Backstop Commitment Letter, dated January 31, 2020, between Babcock & Wilcox Enterprises, Inc. and B. Riley Financial, Inc. (incorporated by reference to Exhibit 10.2 to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on February 3, 2020 (File No. 001-36876)).
- [10.58†](#) Amendment No. 21, dated March 27, 2020, to Credit Agreement, dated as of May 11, 2015, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.58 of the Babcock & Wilcox Enterprises, Inc. Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-36876)).
- [10.59](#) Amendment and Restatement Agreement (attaching the Amended and Restated Credit Agreement), dated as of May 14, 2020, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 of the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed May 15, 2020 (File No. 001-36876)).
- [10.60](#) Form of 2021 Long-Term Cash Incentive Award Grant Agreement (incorporated by reference to Exhibit 10.10 to the Babcock & Wilcox Enterprises, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (File No. 001-36876)).
- [10.61](#) Amendment No. 1 to Amended and Restated Credit Agreement, dated as of October 30, 2020, among Babcock & Wilcox Enterprises, Inc., as the borrower, Bank of America, N.A., as Administrative Agent, and the other lenders party thereto (incorporated by reference to Exhibit 10.1 of the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed November 5, 2020 (File No. 001-36876)).
- [10.62†](#) Second Amendment to Executive Services Agreement between Babcock & Wilcox Enterprises, Inc. and BRPI Executive Consulting, LLC dated November 9, 2020 (incorporated by reference to Exhibit 10.1 of the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed November 10, 2020 (File No. 001-36876)).
- [10.63†](#) Third Amendment to Executive Employment Agreement between Babcock & Wilcox Enterprises, Inc. and Henry Bartoli dated November 5, 2020 (incorporated by reference to Exhibit 10.2 of the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed November 10, 2020 (File No. 001-36876)).
- [10.64†](#) Consultant Agreement by and between The Babcock & Wilcox Company Inc. and Henry Bartoli effective as of January 1, 2021 (incorporated by reference to Exhibit 10.3 of the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed November 10, 2020 (File No. 001-36876)).

10.65 †	Settlement Agreement between Babcock & Wilcox Volund A/S and XL Insurance Company SE dated October 10, 2020.
10.66	Exchange Agreement by and between Babcock & Wilcox Enterprises Inc. and B. Riley Financial, Inc. dated February 12, 2021 (incorporated by reference to Exhibit 1.3 to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on February 12, 2021 (File No. 001-36876))
10.67	Amendment No. 2 to Amended and Restated Credit Agreement by and between Babcock and Wilcox Enterprises Inc. and Bank of America, N.A., as Administrative Agent, dated February 8, 2021 (incorporated by reference to Exhibit 10.1 to the Babcock & Wilcox Enterprises, Inc. Current Report on Form 8-K filed on February 12, 2021 (File No. 001-36876))
10.68	Amendment No. 3 to Amended and Restated Credit Agreement by and between Babcock and Wilcox Enterprises Inc. and Bank of America, N.A., as Administrative Agent, dated March 4 2021
21.1	Significant Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP.
31.1	Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer.
32.1	Section 1350 certification of Chief Executive Officer.
32.2	Section 1350 certification of Chief Financial Officer.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (embedded within the inline XBRL document)

* Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.

† Management contract or compensatory plan or arrangement.

‡ The Company has omitted certain information contained in this exhibit pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is not material and, if publicly disclosed, would likely cause competitive harm to the Company.

BABCOCK & WILCOX ENTERPRISES, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Allowance for Doubtful Accounts

(in thousands)	Year ended December 31,	
	2020	2019
Balance at beginning of period	\$ 25,071	\$ 21,392
Charges to costs and expenses	(1,044)	1,689
Deductions	(6,783)	(371)
Currency translation adjustments and other	(22)	2,361
Balance at end of period	<u>\$ 17,222</u>	<u>\$ 25,071</u>

Deferred Tax Assets Valuation Allowance

(in thousands)	Year ended December 31,	
	2020	2019
Balance at beginning of period	\$ 539,791	\$ 483,967
Charges to costs and expenses	(17,498)	56,254
Charges to other accounts	13,958	(430)
Balance at end of period	<u>\$ 536,251</u>	<u>\$ 539,791</u>

Inventory Reserves

(in thousands)	Year ended December 31,	
	2020	2019
Balance at beginning of period	\$ 14,165	\$ 15,529
Charges to costs and expenses	769	72
Deductions	(867)	(141)
Held for sale	—	(1,384)
Currency translation adjustments and other	296	89
Balance at end of period	<u>\$ 14,363</u>	<u>\$ 14,165</u>

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BABCOCK & WILCOX ENTERPRISES, INC.

March 8, 2021

By: /s/ Kenneth M. Young
Kenneth M. Young
Chairman and Chief Executive Officer

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.

<u>Signature</u>	<u>Title</u>
<u>/s/ Kenneth M. Young</u> Kenneth M. Young	Chairman and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Louis Salamone</u> Louis Salamone	Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial and Accounting Officer and Duly Authorized Representative)
<u>/s/ Henry E. Bartoli</u> Henry E. Bartoli	Director
<u>/s/ Alan B. Howe</u> Alan B. Howe	Director
<u>/s/ Philip D. Moeller</u> Philip D. Moeller	Director
<u>/s/ Rebecca Stahl</u> Rebecca Stahl	Director
<u>/s/ Joseph A. Tato</u> Joseph A. Tato	Director

March 8, 2021



CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.

DATE: 2020

SETTLEMENT AGREEMENT

Between

BABCOCK AND WILCOX VØLUND A/S

and

[]

CMS Cameron McKenna Nabarro Olswang LLP Cannon Place
78 Cannon Street London EC4N 6AF
T +44 20 7367 3000

F +44 20 7367 2000
cms.law

645304040_8

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10 October

THIS SETTLEMENT AGREEMENT is made this ___ day of _____ 2020

BETWEEN:

- (1) **BABCOCK & WILCOX VØLUND A/S** (company registration number 25053664) having its registered office at Odinsvej 19, 2600 Glostrup, Denmark, on its own behalf and on behalf of all insureds under the 2017 Policy and the 2018 Policy (“**BWV**”); and
- (2) [],

each a “**Party**” and together the “**Parties**”.

WHEREAS

- (a) BWV specialises in the manufacture, construction, maintenance and operation of renewable energy plants internationally.
- (b) BWV was engaged in relation to four projects in the UK, namely:
- (i) The Teesside (or Port Clarence) Project – BWV entered into a joint venture with Lagan Construction Group Limited (incorporating a joint venture entity – BWL Energy (Teesside) Limited) in relation to the Port Clarence Biomass Power Plant, England (the “**Teesside Project**”);
 - (ii) The Margam Project – BWV entered into a consortium agreement with Interserve Construction Limited (“**ICL**”) in relation to the Margam Biomass Plant, Wales (the “**Margam Project**”);
 - (iii) The Templeborough Project – BWV entered into a consortium agreement with ICL in relation to the Templeborough Biomass Plant, Rotherham, England (the “**Templeborough Project**”); and
 - (iv) The Dunbar Project – BWV entered into a consortium agreement with ICL in relation to the Dunbar Energy-from-Waste (EfW) Facility, Scotland (the “**Dunbar Project**”).
- (collectively the “**UK Projects**”).
- (c) In addition, BWV constructed a waste to energy power plant in Copenhill, Denmark for Amager Resource Center I/S (the “**ARC Project**”).
- (d) The UK Projects became significantly delayed and have been the subject of various third party claims, including claims against BWV alleging negligence arising from its failure to perform its duties.
- (e) BWV has suffered loss in respect of the UK Projects and the ARC Project which it considers is covered under Professional Indemnity Insurance Policies dated 7 February 2017 and 15 December 2017 respectively, issued by [] (the “**2017 Policy**” and “**2018 Policy**”, together, the “**Policies**”); however, [] objected to the claims, and BWV has therefore referred a dispute to arbitration.
- (the “**Dispute**”).
- (f) BWV has notified 11 claims under the 2017 Policy and further two claims under the 2018 Policy in the total amount of £69,021,108.21. Three claims under the 2017 Policy relate to a

fundamental design error by BWV leading to a beam failure at its Teesside Project and claims concerning defects in the beam design at its Margam Project and Templeborough Project (the “**Beam Claims**”). The balance of the claims under the 2017 Policy relate to structural, electrical and

pipework engineering errors by BWV relating to the Teesside Project, Margam Project, Templeborough Project, and Dunbar Project (the “**Non-Beam Claims**”). The claims made under the 2018 Policy relate to engineering failures arising out of BWV’s failure to perform its services on (i) the Margam Project, and (ii) the ARC Project (the “**2018 Claims**”).

- a. BWV has brought the Beam Claims, Non-Beam Claims, and 2018 Claims as set out in BWV’s Amended Statement of Claim against [] in Danish Institute of Arbitration (“**DIA**”) proceedings [], arising out of or in connection with the Policies (the “**Proceedings**”).
- b. The Parties now wish to fully and finally settle the Proceedings and the Dispute between the Parties in accordance with the terms of this Settlement Agreement.

IT IS HEREBY AGREED AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

- a. In this Settlement Agreement, unless the context requires otherwise, the following words and expressions have the following meanings:
 - i.. “**ARC Project**” is given the meaning in Recital (C) above;
 - ii.. “**Beam Claims**” is given the meaning in Recital (F) above;
 - iii.. “**CMS**” means CMS Cameron McKenna Nabarro Olswang LLP, BWV’s legal representative;
 - iv.. “**Consent Award**” means the consent award in the agreed form at **Schedule 2**;
 - v.. “**Consent Award Letter**” means the letter at **Schedule 1**, in an agreed format, from the Parties to the Tribunal and DIA confirming that the Parties have agreed to discontinue the Proceedings and requesting the Tribunal to issue a Consent Award in the agreed form;
 - vi.. “**DIA**” is given the meaning in Recital (F) above;
 - vii.. “**DIA Confirmation Letter**” means the letter in **Schedule 3**, in an agreed format, to be sent to the Parties from the DIA, confirming that the Consent Award is final and binding;
 - viii.. “**Dispute**” is given the meaning in Recital (E) above;
- 1.1.9 [];
 - x.. “**Dunbar Project**” is given the meaning in Recital (B) above;
 - xi.. “**ICL**” is given the meaning in Recital (B) above;
 - xii.. “**Margam Project**” is given the meaning in Recital (B) above;
 - xiii.. “**Non-Beam Claims**” is given the meaning in Recital (F) above;
 - xiv.. “**Policies**” is given the meaning in Recital (E) above;
 - xv.. “**Proceedings**” is given the meaning in Recital (G) above;
 - xvi.. “**Settlement Agreement**” means this agreement;
 - xvii.. “**Settlement Sum**” is given the meaning in paragraph 3.1 below;
 - xviii.. “**Released Claims**” is given the meaning in paragraph 4.1 below;

xix.. “**Teesside Project**” is given the meaning in Recital (B) above;

- i. “**Templeborough Project**” is given the meaning in Recital (B) above;
 - ii. “**Tribunal**” refers to the arbitral tribunal, comprising Mr Stefan Lindskog, Mr Morten Samuelsson and John Rowland QC, appointed in the Proceedings;
 - iii. “**UK Projects**” is given the meaning in Recital (B) above;
 - iv. “**2017 Policy**” is given the meaning in Recital (F) above;
 - v. “**2018 Policy**” is given the meaning in Recital (F) above; and
 - vi. “**2018 Claims**” is given the meaning in Recital (F) above.
- b. In this Settlement Agreement the headings are for convenience only and will not affect the interpretation of this Settlement Agreement. The singular includes the plural and vice versa.
 - c. Unless otherwise defined within this Settlement Agreement, all capitalised terms will mean the same as the definitions set out in the Subcontract.

1. EFFECT OF THIS SETTLEMENT AGREEMENT

- a. The Parties agree that this Settlement Agreement shall become binding on the Parties as soon as each Party has executed the Settlement Agreement.
- b. This Settlement Agreement is only binding on the Parties and for the avoidance of doubt, does not compromise or in any way affect any claims held or pursued against third parties.

2. SETTLEMENT SUM

- a. The Settlement Sum is \$ USD 26 million.
- b. [] shall pay to BWV the Settlement Sum within fourteen calendar days of the date of this Settlement Agreement. Payment shall be made by way of bank transfer to:

]

- c. Further, as consideration in addition to the Settlement Sum, against reduced recovery under the Policies, BWV has hereby acquired any rights of recourse, including rights of recourse arising as a consequence of this Settlement Agreement, [] may have against third parties under the Policies and applicable law, including section 22 of the Danish Liability and Compensation Act [in Danish: *Erstatningsansvarsloven*]. By signing this Settlement Agreement, [] irrevocably and unconditionally assigns [in Danish: *transport til eje*] to BWV any and all rights of recourse as set out in this paragraph.

3. RELEASE AND DISCHARGE

- a. This Settlement Agreement is in full and final settlement of the Proceedings and the Dispute, and each Party hereby irrevocably, wholly and unconditionally releases, waives and forever discharges, all and/or any claims or circumstances (whether already notified to [] or not), that it

has had, may have or hereafter can, shall or may have against the other Party, including but not limited to their holding companies, subsidiaries, affiliates, directors or employees in connection

to the Dispute or under the Policies, including but not limited to any claims; and / or the underlying facts relating to the Dispute (collectively the “**Released Claims**”).

5.

5.1

DISPOSAL OF PROCEEDINGS

CMS and [] have agreed the form of letter, on behalf of the Parties, in **Schedule 1** with the following enclosures:

- (a) The Consent Award in the agreed form at **Schedule 2**; and
- b. Within five days of [] paying the Settlement Sum referred to in paragraph 3.1 above, CMS shall send **Schedules 1** (the Consent Award Letter), **Schedule 2** (the Consent Award) and **Schedule 3** (the DIA Confirmation Letter) to the Tribunal and the DIA, copying [].
- c. For the avoidance of doubt, the Parties agree that the Consent Award shall be a final, binding and non-appealable determination, and in agreeing such Consent Award, the Parties have waived any and all rights they may have to:
 - i. Challenge the jurisdiction of the Tribunal for any reason whatsoever;
 - ii. Challenge the Consent Award on grounds of jurisdiction or for any other reason; and
 - iii. Resist enforcement of the Consent Award for any reason and in any jurisdiction.
- d. For the further avoidance of doubt, the Parties have agreed that none of the grounds for refusal of recognition and enforcement set out in Article V of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards apply.

- (b) The agreed form letter requesting the DIA to confirm that the Consent Award is final and binding at **Schedule 3**.

6. COVENANT NOT TO SUE

- a. With effect from the date of this Settlement Agreement each Party agrees and undertakes not to commence, pursue, continue, voluntarily aid in any way, encourage, prosecute or cause to be commenced, pursued, continued or prosecuted against any other Party, or any of them, any action, suit or other proceedings concerning the Released Claims, in this jurisdiction or any other.
- b. Nothing in this Settlement Agreement shall prevent either Party from taking action against the other in the event of any breach this Settlement Agreement after the date of this Settlement Agreement.

7. COSTS

- a. Each Party shall bear its own legal and other costs arising out of or in connection with this Settlement Agreement (including the implementation of all matters provided by this Settlement Agreement).
- b. Each Party shall bear 50% of the fees and expenses incurred by the Tribunal in the Proceedings and the DIA's administrative charges (including the registration fee(s)), to be determined by the DIA, pursuant to **Schedules 1, 2 and 3** hereto.

8. WARRANTIES AND AUTHORITIES

- a. Each Party expressly warrants and represents that:
 - i.. It has not sold, transferred, assigned or otherwise disposed of its interest in the Released Claims or of any rights of recourse, as set out in paragraph 3.3, and irrevocably agrees

that it will not assign, transfer or otherwise dispose of its interest in the Released Claims of any rights of recourse, as set out in paragraph 3.3 to any third parties;

- i. It has the full right, capacity, power and authority to enter into, execute, deliver and perform this Settlement Agreement;
- ii. The individuals named below are authorised to sign this Settlement Agreement on its behalf;
- iii. This Settlement Agreement has been, or will be, duly authorised, executed and delivered by the Parties and constitutes, or will when executed constitute, its legal, valid and binding obligations; and
- iv. The execution of this Settlement Agreement and compliance with its terms will not result in violation by any Party of its constituent documents or of any provision contained in any agreement or instrument to which it is a party or by which it is bound or in any statute, law, rule, regulation, judgment, decree or order applicable to it.

1. CONFIDENTIALITY

- a. The terms of this Settlement Agreement and the substance of all negotiations in connection with this Settlement Agreement are confidential to the Parties and their advisers, who shall not disclose them to, or otherwise communicate them to, any third party, other than:
 - i. To the Parties' respective auditors, insurers and reinsurers and legal advisers to the extent necessary to enable them to perform their professional duties and on terms which preserve confidentiality;
 - ii. To the extent required by any applicable law;
 - iii. To the extent required to enforce any rights or defend any claims relating to or arising as a consequence of this Settlement Agreement, against third parties, provided that such disclosure is relevant to the enforcement of such rights or defence of such claims;
 - iv. To the extent required by any order of a court or arbitral tribunal of competent jurisdiction or by any proper order or demand made by any competent authority or body where the Party is under a legal or regulatory obligation to make such a disclosure; and
 - v. To the extent required to implement and enforce any of the terms of the Settlement Agreement.

2. ASSIGNMENT

Neither Party may novate, assign the benefit or delegate the burden of this Settlement Agreement without the other Party's consent, such consent cannot to be unreasonably withheld.

3. VARIATION

No variation of this Settlement Agreement shall be effective unless it is in writing and signed by or on behalf of the Parties.

4. SEVERABILITY

If any provision of this Settlement Agreement is found to be void or unenforceable, that provision shall be deemed to be deleted from this Settlement Agreement and the remaining

provisions of this Settlement Agreement shall continue in full force and effect and the Parties shall use their respective reasonable endeavours to procure that any such provision is replaced by a provision

which is valid and enforceable, and which gives effect to the spirit and intent of this Settlement Agreement.

1. ENTIRE AGREEMENT

- a. This Settlement Agreement constitutes the entire understanding and agreement between the Parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.
- b. Each Party acknowledges and confirms that it has not entered into this Settlement Agreement in reliance wholly or partly on any statement, representation assurance or warranty made by or on behalf of the other Party, whether orally or in writing, at any time prior to the execution of this Settlement Agreement other than as expressly set out in this Settlement Agreement.

2. COUNTERPARTS

This Settlement Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single agreement.

3. GOVERNING LAW AND JURISDICTION

- a. This Settlement Agreement shall be governed by and construed in accordance with the laws of Denmark, excluding any conflict of law rules which may apply the laws of any other jurisdiction, and each party hereto agrees not to assert as a defence in any proceedings that it is not subject to the laws of Denmark.
- b. Any dispute arising out of or in connection with this Settlement Agreement, including any disputes regarding the existence, validity or termination thereof, shall be settled by arbitration administered by DIA in accordance with the rules of arbitration procedure adopted by DIA and in force at the time when such proceedings are commenced.
- c. The arbitral tribunal shall be composed of three arbitrators. The place of arbitration shall be Copenhagen, Denmark, and the procedural language shall be English.

4. SUCCESSORS AND ASSIGNS

This Settlement Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

5. NO WAIVER

No failure by a Party to exercise, nor any delay by a Party in exercising, any right or remedy under this Settlement Agreement shall operate as a waiver of it, nor shall any single or partial defective exercise by the Parties of any right or remedy prevent any other or further exercise of that or any other right or remedy.

6. ENFORCEMENT

- a. This Settlement Agreement can be subject to enforcement, including under Section 478 (1) (4) of the Danish Administration of Justice Act.

We agree to the terms of this Settlement Agreement and I represent that I am duly authorised to sign it on behalf of Babcock & Wilcox Vølund A/S.

Signed this 10 day of October 2020.

[.....]

Martin Oehlenschläger (Exec. Director / Direktør) for and on behalf of Babcock & Wilcox Vølund A/S

Signed this 10 day of October 2020.

[.....]

Kasper Bjarnø Sinning (Supervisory Board Member/ Bestyrelsesmedlem) for and on behalf of Babcock & Wilcox Vølund A/S

We agree to the terms of this Settlement Agreement and I represent that I am duly authorised to sign it on behalf of []

Signed this 12 day of October 2020.

[.....]

[]

AMENDMENT NO. 3 TO AMENDED AND RESTATED CREDIT AGREEMENT

This **AMENDMENT NO. 3 TO AMENDED AND RESTATED CREDIT AGREEMENT** (this “Amendment”), dated as of March 4, 2021, is among **BABCOCK & WILCOX ENTERPRISES, INC.**, a Delaware corporation (the “Borrower”), **BANK OF AMERICA, N.A.**, in its capacity as administrative agent for the Lenders (as defined in the Credit Agreement described below) (in such capacity, the “Administrative Agent”), and each of the Lenders party hereto, for purposes of Sections 1, 2, 5(a), 6, and 8 hereof, acknowledged and agreed by certain Subsidiaries of the Borrower, as Guarantors, and, for purposes of Section 5(b), B. Riley Financial, Inc., as Limited Guarantor.

WITNESSETH:

WHEREAS, the Borrower, the Administrative Agent and the Lenders have entered into that certain Amended and Restated Credit Agreement, dated as of May 14, 2020 (as amended through Amendment No. 1, dated as of October 30, 2020, Amendment No. 2, dated as of February 8, 2021, and from time to time further amended, supplemented, restated, amended and restated or otherwise modified the “Credit Agreement”; capitalized terms used in this Amendment not otherwise defined herein shall have the respective meanings given thereto in the Credit Agreement (as amended hereby)), pursuant to which the Revolving Credit Lenders have provided the Revolving Credit Facility to the Borrower and the Term Loan Lenders have provided the Term Loan Facility to the Borrower; and

WHEREAS, the Borrower has requested that the Administrative Agent and the Required Lenders agree to, among other items, (i) permit the prepayment of certain Term Loans, (ii) reduce the Revolving Credit Commitments to \$130,000,000 and remove the ability for the Borrower to obtain Revolving Credit Loans under the Credit Agreement and (ii) amend certain covenants and conditions to the extension of credit; and

WHEREAS, the Borrower, the Administrative Agent and the Lenders signatory hereto are willing to effect such amendments on the terms and conditions contained in this Amendment.

NOW, THEREFORE, in consideration of the premises and further valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Amendments to the Credit Agreement.

The Credit Agreement is, effective as of the Amendment No. 3 Effective Date, hereby amended as follows:

- (a) Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the following new definitions in the appropriate alphabetical order in Section 1.01:

“Amendment No. 3” means that certain Amendment No. 3, dated as of the Amendment No. 3 Effective Date, by and among the Loan Parties, the Administrative Agent and the Lenders party thereto.

“Amendment No. 3 Effective Date” means March 4, 2021, the date on which the conditions precedent to the effectiveness of Amendment No. 3 were satisfied.

“Amendment No. 3 Term Loan Prepayment” means the optional prepayment of up to \$75,000,000 of the principal amount of Term Loans by the Borrower on or after the Amendment No. 3 Effective Date but on or prior to March 31, 2021 in accordance with Section 2.05(a)(i).

“Accelerated Automatic Commitment Reduction” has the meaning specified in Section 2.06(a)(iii).

“Lancaster Sale” has the meaning specified in the definition of “Prepayment Event”.

- (b) The definition of “Aggregate L/C Sublimit” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

“Aggregate L/C Sublimit” means ~~(x) prior to May 1, 2021, \$190,000,000 and (y) thereafter, \$175,000,000~~ \$130,000,000.

- (c) The definition of “Alternative Currency Sublimit” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

“Alternative Currency Sublimit” means ~~an amount equal to the lesser of (i) the Revolving Credit Facility and, (ii) prior to May 1, 2021, \$125,000,000, and thereafter, \$110,000,000~~ \$100,000,000. The Alternative Currency Sublimit is part of, and not in addition to, the Revolving Credit Facility.

- (d) The definition of “Cashless Term Loan Prepayment” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by deleting the text stricken below to read in its entirety as follows:

“Cashless Term Loan Prepayment” means the deemed optional prepayment of the principal amount of Term Loans by the Borrower pursuant to Section 2.05(a)(i), which prepayments shall be effectuated by the conversion or exchange ~~(x) on or prior to February 28, 2021 (which date, upon written notice to the Administrative Agent, may be extended to permit a shareholder vote with respect to the Borrower, as needed to obtain required regulatory approvals or allow for the expiration of any regulatory waiting period (including under the Hart-Scott-Rodino Act), in each case, as necessary to effectuate all or any portion of such~~

~~conversion or exchange) of Term Loans in an aggregate principal amount deemed purchased not to exceed \$50,000,000 into Stock or Stock Equivalents (other than Disqualified Stock) of the Borrower by reducing the principal amount of Term Loans on a dollar for dollar basis based on a price determined by the Borrower and the Team Loan Lenders, which generally will be based on the market price of common stock of the Borrower (or such other price as may be required by the applicable rules and regulations of the NYSE) and/or (y) on or prior to February 17, 2021 of Term Loans in an aggregate principal amount deemed purchased not to exceed \$35,000,000 into Notes Indebtedness permitted pursuant to Section 7.01(q) on a dollar-for dollar basis based on the principal amount of such deemed purchased Notes Indebtedness.~~

- (e) The definition of “CIO” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be deleted.
 - (f) The definition of “Default Rate” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below to read in its entirety as follows:

“Default Rate” means (a) when used with respect to Obligations (including, for the avoidance of doubt, any L/C Borrowing) arising under any Loan Document other than Letter of Credit Fees, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate applicable to Base Rate Loans plus (iii) 2% per annum; provided, however, that with respect to a Eurocurrency Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum, and (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Rate applicable to Letter of Credit Fees plus 2% per annum.
 - (g) Clause (a) of the definition of “Prepayment Event” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below to read in its entirety as follows:
 - (a) (i) any Asset Sale (other than an Asset Sale (x) permitted by any of Section 7.04(a), (b), (c), (e), (f), (g), (h), (j) or (k) or (y) in connection with the Lancaster Sale (as defined and contemplated in that certain Consent, dated as of December 22, 2020, by and among the Borrower, the Administrative Agent, and the Lenders party thereto) (the “Lancaster Sale”), (ii) any sale and leaseback transaction (whether or not permitted by Section 7.13) (other than (x) the sale and leaseback of the Power Copley property in accordance with Section 7.13 or (y) in connection with the Lancaster Sale) resulting in aggregate Net Cash Proceeds in excess of \$3,000,000 for any single transaction or a series of related transactions or (iii) any Recovery Event; or
 - (h) The definition of “Repayment Deadline” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be deleted.
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- (i) The definition of “Restricted Payment” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below to read in its entirety as follows:

“Restricted Payment” means (a) any dividend, distribution or any other payment whether direct or indirect, on account of any Stock or Stock Equivalents of the Borrower or any of its Subsidiaries now or hereafter outstanding, except a dividend payable solely in Stock or Stock Equivalents (other than Disqualified Stock) or a dividend or distribution payable solely to the Borrower or one or more Guarantors, (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any Stock or Stock Equivalents of the Borrower or any of its Subsidiaries now or hereafter outstanding other than one payable solely to the Borrower or one or more Guarantors, (c) any payment or prepayment of principal, premium (if any), interest, fees (including fees to obtain any waiver or consent in connection with any Indebtedness) or other charges on, or redemption, purchase, retirement, defeasance, sinking fund or similar payment with respect to, any Subordinated Debt of the Borrower or any other Loan Party, other than any Intercompany Subordinated Debt Payment, COVID-19 Relief Indebtedness permitted under Section 7.01 or any required (in each case) payment, prepayment, redemption, retirement, purchases or other payments, in each case to the extent permitted to be made by the terms of such Subordinated Debt, (d) any payment in connection with matured or drawn obligations with respect to the AECI Letter of Credit or Tranche A-7 Letters of Credit, except in the form of payments or prepayments of Tranche A-5 Term Loans or Tranche A-7 Term Loans, as applicable, in each case subject to the provisions of Article XI and any other subordination terms set forth herein and (e) any payment or prepayment of principal, premium (if any), interest, fees (including fees to obtain any waiver or consent in connection with any Indebtedness, but excluding customary fees payable on the date of incurrence of Notes Indebtedness) or other charges on, or redemption, purchase, retirement, defeasance, sinking fund or similar payment with respect to, any Notes Indebtedness of the Borrower or any other Loan Party, other than, so long as no Event of Default shall have occurred and be continuing on the date of payment thereof, regularly scheduled payments of interest required to be made on any Notes Indebtedness. For the avoidance of doubt, any Cashless Term Loan Prepayment or Amendment No. 3 Term Loan Prepayment (including any payment of outstanding interest on the date of such prepayment) and payments to any Term Loan Lender, in its capacity as such, under the B. Riley Fee Letter shall not be considered “Restricted Payments” under this definition.

- (j) The definition of “Revolving Credit Commitment” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below to read in its entirety as follows:
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“Revolving Credit Commitment” means, as to each Revolving Credit Lender, its obligation to (a) make Revolving Loans to the Borrower pursuant to Section 2.01 and (b) purchase participations in L/C Obligations, in an aggregate principal amount at any one time outstanding not to exceed the Dollar amount set forth opposite such Lender’s name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. As of the Amendment No. 3 Effective Date, the aggregate amount of the Revolving Credit Commitments shall equal \$130,000,000.

- (k) The definition of “Revolving Credit Facility” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

“Revolving Credit Facility” means, at any time, the aggregate amount of the Lenders’ Revolving Credit Commitments at such time. As of the Amendment No. 3 Restatement Effective Date, and after giving effect to the Accelerated Automatic Commitment Reduction, the aggregate amount of the Revolving Credit Facility shall equal \$326,922,091.95 ~~\$130,000,000~~.

- (l) The definition of “Revolving Funded Debt Sublimit” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

“Revolving Funded Debt Sublimit” means ~~the lesser of (a) \$205,000,000, plus, in each case, the principal amount of Revolving Credit Loans made pursuant to Section 2.03(e)(ii) that have not been repaid, and (b) the Revolving Credit Facility \$0.~~ The Revolving Funded Debt Sublimit is part of, and not in addition to, the Revolving Credit Facility. ~~For purposes of this definition of “Revolving Funded Debt Sublimit”, repayments and prepayments of Revolving Credit Loans shall be deemed to be applied, first, to Revolving Credit Loans not made pursuant to Section 2.03(e)(ii) and, second, to Revolving Credit Loans made pursuant to Section 2.03(e)(ii).~~

- (m) The definition of “Term Loan Working Capital Commitment” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

“Term Loan Working Capital Commitment” means, as to each Tranche A-6 Term Loan Lender, its obligation to make Working Capital Term Loans to the Borrower pursuant to Section 2.01F in an aggregate principal amount not to exceed the Dollar amount set forth opposite such Tranche A-6 Term Loan Lender’s name on Schedule 2.01. As of the ~~Restatement Effective Date~~ Amendment No. 3 Effective Date, the aggregate amount of the Tranche A-6 Term Loan Lenders’ Term Loan Working Capital Commitments shall equal \$5,000,000.00 ~~\$0~~ as a result of

reductions with respect to a Prepayment Event under clause (a)(iii) of the definition thereof.

- (n) The definition of “Test Date” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be deleted.
- (o) The definition of “Trigger Event” in Section 1.01 (*Defined Terms*) of the Credit Agreement shall be deleted.
- (p) The proviso in clause (b) of Section 2.02 (*Borrowings; Conversions; and Continuations of Loans*) shall be amended by deleting the text stricken below to read in its entirety as follows:

provided, however, that if on the date a Committed Loan Notice with respect to a Borrowing is given by the Borrower, there are L/C Borrowings outstanding, then the proceeds of such Borrowing, first, shall be applied to the payment in full of any such L/C Borrowings, and second, shall be made available to the Borrower as provided above ~~and, if such Borrowing includes a Term Loan Borrowing of Working Capital Term Loans, to the extent any Term Loan Borrowing results in a Trigger Event or if a Repayment Deadline exists, proceeds of the applicable Term Loan Borrowing may be applied to the prepayment of Revolving Credit Loans in amounts equal to the excess of the thresholds set forth in the definition of “Trigger Event”.~~

- (q) Clause (i) of Section 2.03(c) (*Drawings and Reimbursements; Funding of Participations*) shall be amended by deleting the text stricken below to read in its entirety as follows:

Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the applicable L/C Issuer shall notify the Borrower and the Administrative Agent thereof. In the case of any draw under a Letter of Credit denominated in an Alternative Currency, the L/C Issuer shall notify the Borrower of the Dollar Equivalent of the amount of the drawing promptly following the determination thereof. The Borrower agrees to pay to the L/C Issuer of any Letter of Credit that has been drawn upon the amount of all draws thereunder, in Dollars (or the Dollar Equivalent of such payment if such payment was made in an Alternative Currency), no later than (x) the Business Day on which the L/C Issuer has provided notice thereof to the Borrower if such notice has been provided prior to 11:00 a.m. on such Business Day, or (y) no later than 10:00 a.m. on the next succeeding Business Day after the Borrower receives such notice from such L/C Issuer if such notice is not received prior to 11:00 a.m. on such day (each such date, an “Honor Date”), and such L/C Issuer shall provide prompt notice to the Administrative Agent of such reimbursement. If the Borrower fails to so reimburse the applicable L/C Issuer by such time, such L/C Issuer shall promptly notify the Administrative Agent of the Honor Date and the amount of the unreimbursed drawing (expressed in Dollars in the amount of the

Dollar Equivalent thereof in the case of a Letter of Credit denominated in an Alternative Currency) (the “Unreimbursed Amount”), and the Administrative Agent shall provide such notice, along with the amount of such Lender’s Applicable Percentage thereof, to each Lender. ~~In such event, the Borrower shall be deemed to have requested a Revolving Credit Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.02 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Revolving Credit Commitments and the conditions set forth in Section 4.03 (other than the delivery of a Committed Loan Notice).~~ Any notice given by any L/C Issuer or the Administrative Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

- (r) Clause (iii) of Section 2.03(c) (*Drawings and Reimbursements; Funding of Participations*) shall be amended by deleting the text stricken below to read in its entirety as follows:

~~With respect to any Unreimbursed Amount that is not fully refinanced by a Revolving Credit Borrowing of Base Rate Loans because the conditions set forth in Section 4.03 cannot be satisfied or for any other reason, the Borrower shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender’s payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.03(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.03.~~

- (s) Clause (iv) of Section 2.03(c) (*Drawings and Reimbursements; Funding of Participations*) shall be amended by deleting the text stricken below to read in its entirety as follows:

~~Until each Lender funds its Revolving Credit Loan or L/C Advance pursuant to this Section 2.03(c) to reimburse the applicable L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender’s Applicable Percentage of such amount shall be solely for the account of the applicable L/C Issuer.~~

- (t) Clause (v) of Section 2.03(c) (*Drawings and Reimbursements; Funding of Participations*) shall be amended by deleting the text stricken below to read in its entirety as follows:
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Each Lender's obligation to make ~~Revolving Credit Loans~~ or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against any L/C Issuer, the Borrower, any Subsidiary or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; ~~provided, however, that each Lender's obligation to make Revolving Credit Loans pursuant to this Section 2.03(c) is subject to the conditions set forth in Section 4.03 (other than delivery by the Borrower of a Committed Loan Notice)~~. No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the applicable L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

- (u) The second sentence in clause (vi) of Section 2.03(c) (*Drawings and Reimbursements; Funding of Participations*) shall be amended by deleting the text stricken below to read in its entirety as follows:

If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's ~~Revolving Credit Loan included in the relevant Revolving Credit Borrowing or~~ L/C Advance in respect of the relevant L/C Borrowing, ~~as the case may be~~.

- (v) The first proviso of clause (a)(i) of Section 2.05 (*Prepayments*) of the Credit Agreement shall be amended by inserting the text underlined below to read in its entirety as follows:

provided that (i) such notice must be in a form acceptable to the Administrative Agent and be received by the Administrative Agent not later than 11:00 a.m. (A) three Business Days prior to any date of prepayment of Eurocurrency Rate Loans, (B) on the date of prepayment of Base Rate Loans, (C) five Business Days prior to any date of prepayment of Fixed Rate Loans, other than with respect to the Amendment No. 3 Term Loan Prepayment, and (D) 1 Business Day prior to the date of the Amendment No. 3 Term Loan Prepayment;

- (w) The fifth sentence of clause (a)(i) of Section 2.05 (*Prepayments*) of the Credit Agreement shall be amended by inserting the text underlined below to read in its entirety as follows:

Any Cashless Term Loan Prepayment or the Amendment No. 3 Term Loan Prepayment of a Fixed Rate Loan shall be accompanied by all accrued interest on the amount prepaid to the extent that such interest is permitted to be paid under Section 11.01.

- (x) Clause (a)(iii) of Section 2.05 (*Prepayments*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

Except as set forth in ~~clause~~ clauses (c) and (d) of Section 11.01 and notwithstanding anything to the contrary contained herein, the Borrower shall not be permitted to prepay the Term Loan Facility (pursuant to Section 2.05(a)(i) or otherwise) until the occurrence of the Revolving Credit Facility Termination Date, provided that the Administrative Agent, in its sole discretion, may permit a prepayment in full of the Term Loan Facility on the Revolving Credit Facility Termination Date, provided further that the Administrative Agent will not release funds paid with respect to the Term Loan Facility to any Term Loan Lender until the Administrative Agent has deemed, in its reasonable discretion, that the Revolving Credit Facility Termination Date has occurred.

- (y) Clause (b)(vi) of Section 2.05 (*Prepayments*) of the Credit Agreement shall be deleted.
- (z) Section 2.06(a)(iii) (*Automatic*) of the Credit Agreement shall be amended by inserting the following sentence to the end of such Section:

Notwithstanding the above, on the Amendment No. 3 Effective Date each of the automatic reductions to the Aggregate Revolving Credit Commitments scheduled to occur after the Amendment No. 3 Effective Date shall be accelerated and occur upon the effectiveness of Amendment No. 3 in lieu of the dates set forth above (the "Accelerated Automatic Commitment Reduction").

- (aa) Clause (iv)(A)(y) of Section 2.09(d) (*Existing Credit Agreement Fees*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

(y) upon the scheduled date (disregarding the Accelerated Automatic Commitment Reduction) of each automatic commitment reduction to the Aggregate Revolving Credit Commitments ~~required~~ scheduled under Section 2.06(a)(iii) for which (I) a corresponding amount of proceeds of Scheduled Term Loans are funded pursuant to Section 2.01F substantially contemporaneously therewith and received by the Borrower (or as such funding may be replaced with Net Cash Proceeds of the issuance of Stock or Stock Equivalents of the Borrower or contribution to the equity of the Borrower in accordance with Section 4.05(a)) and (II) no requirement to make any prepayment under Section 2.06(a) (iv) would result from such commitment reduction, an amount equal to 10% of such automatic commitment reduction will be waived on the date thereof; and

- (ab) Clause (e) of Section 4.03 (*Conditions to Revolving Credit Extensions*) of the Credit Agreement shall be deleted.
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- (ac) The last paragraph of Section 4.03 (*Conditions to Revolving Credit Extensions*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

Each Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Loans to the other Type or a continuation of Eurocurrency Rate Loans) submitted by the Borrower (or with respect to a Letter of Credit Application, any Permitted L/C Party) shall be deemed to be a representation and warranty of the Borrower that the conditions specified in Sections 4.03(a); and (b) ~~and (e)~~ have been satisfied on and as of the date of the applicable Credit Extension.

- (ad) The last sentence of Section 6.28 (*Consultant*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

To the extent that the Borrower hires professional staff members ~~as mutually agreed to between the CIO and the other members of senior management of the Borrower~~ in respect of its financial planning and analysis functions, upon notice to the Administrative Agent, the Borrower may modify the engagement described under this Section 6.28 (on such terms as may be reasonably acceptable to the Administrative Agent) to permit the ~~CIO~~ Borrower to implement a transition process in respect of such financial planning and analysis functions from the Consultant to such professional staff members.

- (ae) Section 6.33 (*Chief Implementation Officer*) of the Credit Agreement shall be amended and restated in its entirety as ["Reserved"].

- (af) Clause (j) of Section 7.08 (*Transactions with Affiliates*) of the Credit Agreement shall be amended by deleting the text stricken below to read in its entirety as follows:

(j) any Cashless Term Loan Prepayment, including the incurrence of the Notes Indebtedness ~~and issuance of Stock and Stock Equivalents~~ that is converted or exchanged from Term Loans; and

- (ag) Section 8.01(m) (*Tranche A-6 Term Loan Fundings*) of the Credit Agreement shall be deleted.

- (ah) Section 11.01 (*Payment Subordination*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

11.01 Payment Subordination. The Term Loan Lenders agree that the Obligations with respect to the Term Loan Facility continue to be expressly subordinate and junior in right of payment to all Obligations with respect to the Revolving Credit Facility (including any interest or entitlement to fees or expenses or other charges with respect to the Revolving Credit Facility accruing

after the commencement of any proceeding under any Debtor Relief Law, whether or not such amounts are allowed in any proceeding), except for any payment of (a) any payment expressly permitted to be made prior to the Restatement Effective Date under Section 11.01 of the Existing Credit Agreement, (b) the 2020 Refinancing Term Loan Lender Expenses, (c) Cashless Term Loan Prepayments, (d) the Amendment No. 3 Term Loan Prepayment and ~~(de)~~ other than upon and during the continuance of an Event of Default, any interest on the Term Loans due on the applicable Interest Payment Date, the date of the Amendment No. 3 Term Loan Prepayment or on any Cashless Term Loan Prepayment on the date that such prepayment is deemed made, and payments made in lieu of interest pursuant to the B. Riley Fee Letter and any fees paid in connection with the Term Loans pursuant to the B. Riley Fee Letter.

- (ai) Clause (a) of Section 11.02 (*Turnover*) of the Credit Agreement shall be amended by inserting the text underlined below and deleting the text stricken below to read in its entirety as follows:

(a) Any payment or distribution (whether in cash, property or securities) that may be received by any Term Loan Lender or its Affiliate (including, in each case, in its capacity as a holder of Notes Indebtedness) on account of any Obligations with respect to the Term Loan Facility, the Notes Indebtedness, the B. Riley Fee Letter or the 2020 Refinancing in violation of this Agreement (including Section 7.05) shall be segregated and held in trust and promptly paid over to the Administrative Agent, for the benefit of the Secured Parties, in each case, in the same form as received, with any necessary endorsements, and each of the Term Loan Lenders hereby authorizes the Administrative Agent to make any such endorsements as agent for such Term Loan Lender or its respective Affiliate (in each case, which authorization, being coupled with an interest, is irrevocable). All such payments paid over to the Administrative Agent shall be, as applicable, (i) used to prepay Revolving Credit Loans pay L/C Borrowings and, if the ~~Revolving Credit Loans~~ L/C Borrowings are paid in full, Cash Collateralize Letters of Credit or (ii) applied in accordance with the provisions of Section 8.03. For purposes of this Agreement, each Term Loan Lender agrees that in any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party of the Borrower, any debt or equity securities issued or to be issued by the reorganized or liquidating Borrower or any reorganized or liquidating Loan Party that is allocated to any Term Loan Lender or Affiliate thereof on account of the Term Loan Facility, the Notes Indebtedness, the B. Riley Fee Letter or the 2020 Refinancing in a plan of reorganization or liquidation shall be deemed to be payments that are subject to the turnover provisions hereunder.

2. Additional Agreements and Acknowledgments

- (a) The Borrower agrees to pay, or cause to be paid, to the Administrative Agent in immediately available funds upon the Amendment No. 3 Effective Date, ~~(x)~~ for
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the account of each Revolving Credit Lender, (i) the amendment and restated fee described in Section 2.09(c)(ii) of the Credit Agreement in the amount of \$1,634,610.46, (ii) the “Deferred Facility Fee” (as defined in the Existing Credit Agreement) as described in Section 2.09(d)(i) of the Credit Agreement in the amount of \$6,675,103.06, (iii) the “Deferred Ticking Fees” (as defined in the Existing Credit Agreement) described in Section 2.09(d)(iv)(x) of the Credit Agreement in the amount of \$6,723,651.61, and (iv) the “Other Amendment Fees” as described in Section 2.09(d)(iv)(y) of the Credit Agreement in the amount of \$1,379,348.26, (y) for the account of each Revolving Credit Lender who consented to that certain Amendment No. 6, dated as of April 10, 2018, by and among the Borrower, the Administrative Agent and the Lenders party thereto, and acknowledged and agreed by the Guarantors, the “Amendment No. 6” fees described in Section 2.09(d)(ii) of the Credit Agreement in the amount of \$540,000.00 (the payments under clauses (x) and (y) of this Section 2(a), the “Prepaid Deferred Fees”) and (z) for the account of each Revolving Credit Lender, such Revolving Credit Lender’s ratable share of all outstanding deferred (i) interest on Revolving Credit Loans, (ii) Letter of Credit Fees and (iii) commitment fees set forth in Section 2.09 of the Credit Agreement, in each case, accrued from the Restatement Effective Date through and including August 31, 2020 (the payments under clause (z) of this Section 2(a)), the “Prepaid Deferred Interest”).

- (b) The Borrower and the other Loan Parties each acknowledge and agree that the breach or failure to comply in any respect with the terms and conditions of this Section 2 shall constitute an immediate Event of Default under Section 8.01 of the Credit Agreement.

3. Effectiveness; Conditions Precedent.

The amendments contained herein shall only be effective upon the satisfaction or waiver of each of the following conditions precedent (the date of satisfaction or waiver, the “Amendment No. 3 Effective Date”):

- (a) the Administrative Agent shall have received each of the following documents or instruments in form and substance acceptable to the Administrative Agent:
 - (i) counterparts of this Amendment executed by the Loan Parties, the Limited Guarantor, the Administrative Agent, the Required Lenders and each Term Loan Lender;
 - (ii) a certificate of the chief financial officer or treasurer of the Borrower certifying that as of the Amendment No. 3 Effective Date (A) all of the representations and warranties in this Amendment are true and correct in
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all material respects (or, to the extent any such representation and warranty is modified by a materiality or Material Adverse Effect standard, in all respects) as of such date (except to the extent that such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects (or, to the extent any such representation and warranty is modified by a materiality or Material Adverse Effect standard, in all respects) as of such earlier date), (B) no Default shall exist, or would result from the occurrence of the Amendment No. 3 Effective Date and (C) since December 31, 2019, there have not occurred any facts, circumstances, changes, developments or events which, individually or in the aggregate, have constituted or would reasonably be expected to result in, a Material Adverse Effect;

- (iii) a certificate of the secretary or assistant secretary of each of (i) the Loan Parties that are Domestic Subsidiaries, (ii) the Canadian Guarantor and (iii) Babcock & Wilcox De Monterrey, S.A. DE C.V., certifying and confirming that (i) attached thereto is a true, correct and complete copy of resolutions duly adopted by the board of directors (or similar governing body) of each such Loan Party, authorizing the execution, delivery and performance of the Amendment and the Loan Documents to which such Loan Party is a party, or is to be, a party, and that such resolutions have not been amended, rescinded or otherwise modified and are in full force and effect in the form adopted; (ii) a true, correct and complete copy of the certificate of incorporation or certificate of formation (or the equivalent organizational documents) of each such Loan Party, together with any amendments thereto, was previously delivered to the Administrative Agent on May 14, 2020 or is attached thereto, and that the certified charter has not been revoked, amended, rescinded or modified and remains in full force and effect as of the date thereof; (iii) a true, correct, and complete copy of the bylaws, partnership agreement or operation agreement (or the equivalent governing documentation) of each such Loan Party, together with any amendments thereto, was previously delivered to the Administrative Agent on April 10, 2018 or is attached thereto, and that the bylaws have not been revoked, amended, rescinded or modified and remain in full force and effect as of the date hereof; and (iv) attached thereto is a true, correct and complete list of names, offices and true signatures of the duly qualified, acting and elected or appointed officers of each such Loan Party authorized to sign the Amendment and the Loan Documents to which the such Loan Party is, or is to be, a party and the other agreements, instruments and documents to be delivered by such Loan Party pursuant to the Amendment and the Loan Documents;
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- (iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party that are Domestic Subsidiaries that each such Loan Party is validly existing and in good standing in its jurisdiction of organization;
 - (v) a solvency certificate, executed by a Responsible Officer of the Borrower in form and substance reasonably acceptable to the Administrative Agent, which, among other things, shall certify that the Borrower will be Solvent as of the date hereof;
 - (vi) satisfactory opinion of King & Spalding LLP, as counsel to the Loan Parties, as to such matters reasonably requested by the Administrative Agent and in form and substance satisfactory to the Administrative Agent;
 - (vii) an executed perfection certificate for the Borrower and the Domestic Subsidiaries in form and substance reasonably satisfactory to the Administrative Agent as well as any information with respect to intellectual property reasonably requested by the Administrative Agent;
 - (viii) executed Intellectual Property Security Agreements that the Administrative Agent deems necessary or reasonably desirable in order to perfect or provide notice of the Liens created under the U.S. Collateral Agreement in intellectual property Collateral, in form appropriate for filing with the United States Patent and Trademark Office and the United States Copyright Office; and
 - (ix) a duly executed assignment of mortgage in favor of the Administrative Agent with respect to that certain Open-End Mortgage, Assignment of Leases, Rents and Security Agreement dated as of November 4, 2020, by ICP Barberton Robinson LLC and Holdings Barberton Robinson, LLC, in favor of The Babcock & Wilcox Company.
- (b) there shall be no Revolving Credit Loans outstanding under the Credit Agreement as of the Amendment No. 3 Effective Date;
 - (c) the Administrative Agent shall have received (i) the Prepaid Deferred Fees and (ii) the Prepaid Deferred Interest;
 - (d) the Administrative Agent shall have received a prepayment notice in accordance with Section 2.05(a)(i) of the Credit Agreement with respect to each of (i) the Amendment No. 3 Term Loan Prepayment and (ii) any prepayment of the outstanding Revolving Credit Loans, if applicable;
 - (e) without prejudice to, or limiting the Borrower's obligations under, Section 10.04 (*Expenses; Indemnity; Damage Waiver*) of the Credit Agreement, all outstanding fees, costs and expenses due to the Administrative Agent and the Lenders, including on account of Agent's Legal Advisor and FTI, shall have been paid in
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full to the extent that the Borrower has received an invoice therefor (with reasonable and customary supporting documentation) at least two Business Days prior to the Amendment No. 3 Effective Date (without prejudice to any post-closing settlement of such fees, costs and expenses to the extent not so invoiced); and

- (f) each of the representations and warranties made by the Borrower in Section 4 hereof shall be true and correct.

The Administrative Agent agrees that it will, upon the satisfaction or waiver of the conditions contained in this Section 3, promptly provide written notice to the Borrower, and the Lenders of the effectiveness of this Amendment.

4. Representations and Warranties.

In order to induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Lenders, for itself and for each other Loan Party, as follows:

- (a) that both immediately prior to and immediately after giving effect to this Amendment, no Default or Event of Default exists;
 - (b) the representations and warranties contained in the Credit Agreement are true and correct in all material respects on and as of the date hereof (except to the extent that such representations and warranties (i) specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date and (ii) contain a materiality or Material Adverse Effect qualifier, in which case such representations and warranties shall be true and correct in all respects);
 - (c) the execution, delivery and performance by the Borrower and the other Loan Parties of this Amendment and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate, limited liability company or partnership action, including the consent of shareholders, partners and members where required, do not contravene any Loan Party or any of its Subsidiaries' respective Constituent Documents, do not violate any Requirement of Law applicable to any Loan Party or any order or decree of any Governmental Authority or arbiter applicable to any Loan Party and do not require the consent of, authorization by, approval of, notice to, or filing or registration with, any Governmental Authority or any other Person in order to be effective and enforceable;
 - (d) this Amendment has been duly executed and delivered on behalf of the Borrower and the other Loan Parties;
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- (e) this Amendment constitutes a legal, valid and binding obligation of the Borrower and the other Loan Parties enforceable against the Borrower and the other Loan Parties in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, Debtor Relief Laws or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity; and
- (f) as of the date hereof, all Liens, security interests, assignments and pledges encumbering the Collateral, created pursuant to and/or referred to in the Credit Agreement or the other Loan Documents, are valid, enforceable, duly perfected to the extent required by the Loan Documents, non-avoidable, first priority liens, security interests, assignments and pledges (subject to Liens permitted by Section 7.02 of the Credit Agreement), continue unimpaired, are in full force and effect and secure and shall continue to secure all of the obligations purported to be secured in the respective Security Instruments pursuant to which such Liens were granted.

5. Consent, Acknowledgement and Reaffirmation of Indebtedness and Liens.

- (a) By its execution hereof, each Loan Party, in its capacity under each of the Loan Documents to which it is a party (including the capacities of debtor, guarantor, grantor and pledgor, as applicable, and each other similar capacity, if any, in which such party has granted Liens on all or any part of its properties or assets, or otherwise acts as an accommodation party, guarantor, indemnitor or surety with respect to all or any part of the Obligations), hereby:
 - (i) expressly consents to the amendments and modifications to the Credit Agreement effected hereby;
 - (ii) expressly confirms and agrees that, notwithstanding the effectiveness of this Amendment, each Loan Document to which it is a party is, and all of the obligations and liabilities of such Loan Party to the Administrative Agent, the Lenders and each other Secured Party contained in the Loan Documents to which it is a party (in each case, as amended and modified by this Amendment), are and shall continue to be, in full force and effect and are hereby reaffirmed, ratified and confirmed in all respects and, without limiting the foregoing, agrees to be bound by and abide by and operate and perform under and pursuant to and comply fully with all of the terms, conditions, provisions, agreements, representations, undertakings, warranties, indemnities, guaranties, grants of security interests and covenants contained in the Loan Documents;
 - (iii) to the extent such party has granted Liens or security interests on any of its properties or assets pursuant to any of the Loan Documents to secure the
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prompt and complete payment, performance and/or observance of all or any part of its Obligations to the Administrative Agent, the Lenders, and/or any other Secured Party, acknowledges, ratifies, remakes, regrants, confirms and reaffirms without condition, all Liens and security interests granted by such Loan Party to the Administrative Agent for their benefit and the benefit of the Lenders, pursuant to the Credit Agreement and the other Loan Documents, and acknowledges and agrees that all of such Liens and security interests are intended and shall be deemed and construed to continue to secure the Obligations under the Loan Documents, as amended, restated, supplemented or otherwise modified and in effect from time to time, including but not limited to, the Loans made by, and Letters of Credit provided by, the Administrative Agent and the Lenders to the Borrower and/or the other Loan Parties under the Credit Agreement, and all extensions renewals, refinancings, amendments or modifications of any of the foregoing;

- (iv) agrees that this Amendment shall in no manner impair or otherwise adversely affect any of the Liens and security interests granted in or pursuant to the Loan Documents; and
 - (v) acknowledges and agrees that: (i) the Guaranty and any obligations incurred thereunder, have been provided in exchange for “reasonably equivalent value” (as such term is used under the Bankruptcy Code and applicable state fraudulent transfer laws) and “fair consideration” (as such term is used under applicable state fraudulent conveyance laws) or similar term under applicable Debtor Relief Laws and (ii) each grant or perfection of a Lien or security interest on any Collateral provided in connection with Loan Documents, this Amendment and/or any negotiations with the Administrative Agent and/or the Lenders in connection with a “workout” of the Obligations is intended to constitute, and does constitute, a “contemporaneous exchange for new value” (as such term is used in Section 547 of the Bankruptcy Code) or similar concept under applicable Debtor Relief Laws.
- (b) By its execution hereof, the Limited Guarantor, in its capacity under the Limited Guarantor, hereby:
- (i) expressly consents to the amendments and modifications to the Credit Agreement effected hereby;
 - (ii) expressly confirms and agrees that, notwithstanding the effectiveness of this Amendment, the Limited Guaranty, is and shall continue to be, in full force and effect and is hereby reaffirmed, ratified and confirmed in all respects and, without limiting the foregoing, agrees to be bound by and abide by and operate and perform under and pursuant to and comply fully with all of the terms, conditions, provisions, agreements, representations,
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undertakings, warranties, indemnities, guaranties, grants of security interests and covenants contained in the Limited Guaranty; and

- (iii) acknowledges and agrees that the Limited Guaranty and any obligations incurred thereunder, have been provided in exchange for “reasonably equivalent value” (as such term is used under the Bankruptcy Code and applicable state fraudulent transfer laws) and “fair consideration” (as such term is used under applicable state fraudulent conveyance laws).

6. Releases; Waivers.

- (a) By its execution hereof, each Loan Party (on behalf of itself and its Affiliates) and its successors-in-title, legal representatives and assignees and, to the extent the same is claimed by right of, through or under any Loan Party, for its past, present and future employees, agents, representatives, officers, directors, shareholders, and trustees (each, a “Releasing Party” and collectively, the “Releasing Parties”), does hereby remise, release and discharge, and shall be deemed to have forever remised, released and discharged, the Administrative Agent, the Lenders and each of the other Secured Parties, and the Administrative Agent’s, each Lenders’ and each other Secured Party’s respective successors-in-title, legal representatives and assignees, past, present and future officers, directors, affiliates, shareholders, trustees, agents, employees, consultants, experts, advisors, attorneys and other professionals and all other persons and entities to whom any of the foregoing would be liable if such persons or entities were found to be liable to any Releasing Party, or any of them (collectively hereinafter, the “Lender Parties”), from any and all manner of action and actions, cause and causes of action, claims, charges, demands, counterclaims, suits, covenants, controversies, damages, judgments, expenses, liens, claims of liens, claims of costs, penalties, attorneys’ fees, or any other compensation, recovery or relief on account of any liability, obligation, demand or cause of action of whatever nature, whether in law, equity or otherwise (including, without limitation, any so called “lender liability” claims, claims for subordination (whether equitable or otherwise), interest or other carrying costs, penalties, legal, accounting and other professional fees and expenses and incidental, consequential and punitive damages payable to third parties, or any claims arising under 11 U.S.C. §§ 541-550 or any claims for avoidance or recovery under any other federal, state or foreign law equivalent), whether known or unknown, fixed or contingent, joint and/or several, secured or unsecured, due or not due, primary or secondary, liquidated or unliquidated, contractual or tortious, direct, indirect, or derivative, asserted or unasserted, foreseen or unforeseen, suspected or unsuspected, now existing, heretofore existing or which may heretofore have accrued against any of the Lender Parties under the Credit
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Agreement or any of the other Loan Documents, whether held in a personal or representative capacity, and which are based on any act, fact, event or omission or other matter, cause or thing occurring at or from any time prior to and including the date hereof, in all cases of the foregoing in any way, directly or indirectly arising out of, connected with or relating to the Credit Agreement or any other Loan Document and the transactions contemplated thereby, and all other agreements, certificates, instruments and other documents and statements (whether written or oral) related to any of the foregoing (each, a “Claim” and collectively, the “Claims”), in each case, other than Claims arising from Lender Parties’ gross negligence, fraud, or willful misconduct. **Each Releasing Party further stipulates and agrees with respect to all Claims, that it hereby waives, to the fullest extent permitted by applicable law, any and all provisions, rights, and benefits conferred by any applicable U.S. federal or state law, or any principle of common law, that would otherwise limit a release or discharge of any unknown Claims pursuant to this Section 6.**

- (b) By its execution hereof, each Loan Party hereby (i) acknowledges and confirms that there are no existing defenses, claims, subordinations (whether equitable or otherwise), counterclaims or rights of recoupment or setoff against the Administrative Agent, the Lenders or any other Secured Parties in connection with the Obligations or in connection with the negotiation, preparation, execution, performance or any other matters relating to the Credit Agreement, the other Loan Documents or this Amendment and (ii) expressly waives any setoff, counterclaim, recoupment, defense or other right that such Loan Party now has against the Administrative Agent, any Lender or any of their respective affiliates, whether in connection with this Amendment, the Credit Agreement and the other Loan Documents, the transactions contemplated by this Amendment or the Credit Agreement and the Loan Documents, or any agreement or instrument relating thereto.

7. Entire Agreement.

This Amendment, the Credit Agreement (including giving effect to the amendments set forth in Section 1 above), and the other Loan Documents (collectively, the “Relevant Documents”), set forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as

otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to any other party in relation to the subject matter hereof or thereof. None of the terms or conditions of this Amendment may be changed, modified, waived or cancelled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

8. Full Force and Effect of Credit Agreement.

This Amendment is a Loan Document (and the Borrower and the other Loan Parties agree that the “Obligations” secured by the Collateral shall include any and all obligations of the Loan Parties under this Amendment). Except as expressly modified hereby, all terms and provisions of the Credit Agreement and all other Loan Documents remain in full force and effect and nothing contained in this Amendment shall in any way impair the validity or enforceability of the Credit Agreement or the Loan Documents, or alter, waive, annul, vary, affect, or impair any provisions, conditions, or covenants contained therein or any rights, powers, or remedies granted therein. This Amendment shall not constitute a modification of the Credit Agreement or any of the other Loan Documents or a course of dealing with Administrative Agent or the Lenders at variance with the Credit Agreement or the other Loan Documents such as to require further notice by Administrative Agent or any Lender to require strict compliance with the terms of the Credit Agreement and the other Loan Documents in the future, except in each case as expressly set forth herein. The Borrower acknowledges and expressly agrees that Administrative Agent and the Lenders reserve the right to, and do in fact, require strict compliance with all terms and provisions of the Credit Agreement and the other Loan Documents (subject to any qualifications set forth therein), as amended herein.

9. Counterparts; Effectiveness.

This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Except as provided in Section 3 above, this Amendment shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Amendment by facsimile, electronic email or other electronic imaging means (e.g., “pdf” or “tif”), including DocuSign, shall be effective as delivery of a manually executed counterpart of this Amendment.

10. Governing Law; Jurisdiction; Waiver of Jury Trial.

THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. Sections 10.04, 10.14 and 10.15 of the Credit Agreement are hereby incorporated herein by this reference.

11. Severability.

If any provision of this Amendment is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment shall not be affected or impaired thereby and (b) the parties shall endeavour in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. References.

All references in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement and each reference to the “Credit Agreement”, (or the defined term “Agreement”, “thereunder”, “thereof” of words of like import referring to the Credit Agreement) in the other Loan Documents shall mean and be a reference to the Credit Agreement as amended hereby and giving effect to the amendments contained in this Amendment.

13. Successors and Assigns.

This Amendment shall be binding upon the Borrower, the Lenders and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Borrower, the Lenders and the Administrative Agent and the respective successors and assigns of the Borrower, the Lenders and the Administrative Agent.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be made, executed and delivered by their duly authorized officers as of the day and year first above written.

BABCOCK & WILCOX ENTERPRISES, INC.

By: _____

Name:

Title:

Acknowledged and Agreed for purposes of Sections 1, 2, 5(a), 6 and 8 of the Amendment:

Americon Equipment Services, Inc.

Americon, LLC

Babcock & Wilcox Construction Co., LLC

Babcock & Wilcox Ebensburg Power, LLC

Babcock & Wilcox Equity Investments, LLC

Babcock & Wilcox Holdings, LLC

Babcock & Wilcox India Holdings, Inc.

Babcock & Wilcox International Sales and Service Corporation

Babcock & Wilcox International, Inc.

BABCOCK & WILCOX CANADA CORP.

Babcock & Wilcox SPIG, Inc.

Babcock & Wilcox Technology, LLC

babcock & wilcox DE mONTERREY, S.A. de c.v.

Delta Power Services, LLC

Diamond Operating Co., Inc.

Diamond Power Australia Holdings, Inc.

Diamond Power China Holdings, Inc.

Diamond Power Equity Investments, Inc.

Diamond Power International, LLC

Ebensburg Energy, LLC

O&M Holding Company

Power Systems Operations, Inc.

SOFCo EFS Holdings LLC

The Babcock & Wilcox Company

By: _____

Name:

Title:

EBENSBURG INVESTORS LIMITED PARTNERSHIP

By: BABCOCK & WILCOX EBENSBURG POWER, LLC, as General Partner

By: _____

Name:

Title:

Acknowledged and Agreed for purposes of Section 5(b) of the Amendment:

B. RILEY FINANCIAL, inc.

By: _____

Name:

Title:

Administrative Agent:

BANK OF AMERICA, N.A., as Administrative Agent

By: _____

Name:
Title:

Lenders:

BANK OF AMERICA, N.A., as Lender and Swing Line Lender

By: _____

Name:
Title:

B. RILEY FINANCIAL, INC., as Lender

By: _____

Name:
Title:

_____, as Lender

By: _____

Name:
Title:

_____, as Lender

By: _____

Name:
Title:

By: _____

Name:
Title:

BABCOCK & WILCOX ENTERPRISES, INC.
SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2020

Name of Company	Jurisdiction of Organization	Percentage of Ownership Interest
1867BW, LLC	Delaware	100
Americon Equipment Services, Inc.	Delaware	100
Americon, LLC	Delaware	100
B&W de Panama, Inc.	Panama	100
B&W PGG Luxembourg Canada Holdings SARL	Luxembourg	100
B&W PGG Luxembourg Finance SARL	Luxembourg	100
B&W PGG Luxembourg Holdings SARL	Luxembourg	100
B and W SPIG South Africa	South Africa	100
Babcock and Wilcox ME Holdings Limited	United Arab Emirates	100
Babcock & Wilcox Australia Pty. Ltd.	Australia	100
Babcock & Wilcox Construction Co., LLC	Delaware	100
Babcock & Wilcox de Monterrey, S.A. de C.V.	Mexico	100
Babcock & Wilcox Ebensburg Power, LLC	Delaware	100
Babcock & Wilcox Equity Investments, LLC	Delaware	100
Babcock & Wilcox Global Sales and Services Brazil Ltda.	Brazil	100
Babcock & Wilcox Global Sales & Services - Chile SpA	Chile	100
Babcock & Wilcox Global Sales and Service Pte. Ltd.	Singapore	100
Babcock & Wilcox Global Sales & Services SARL	Luxembourg	100
Babcock & Wilcox Holdings, LLC	Delaware	100
Babcock & Wilcox India Holdings, Inc.	Delaware	100
Babcock & Wilcox India Private Limited	India	100
Babcock & Wilcox International Investments Co., Inc.	Panama	100
Babcock & Wilcox International Sales and Service Corporation	Delaware	100
Babcock & Wilcox International, Inc.	Delaware	100
Babcock & Wilcox Monterrey Finance SARL	Luxembourg	100
Babcock & Wilcox Singapore Pte. Ltd.	Singapore	100
Babcock & Wilcox SPIG, Inc.	New Jersey	100
Babcock & Wilcox Technology, LLC	Delaware	100
Babcock & Wilcox Volund Limited	United Kingdom	100
Babcock & Wilcox Volund AB	Sweden	100
Babcock & Wilcox Volund A/S	Denmark	100
Babcock Wilcox Arabia Limited	Saudi Arabia	100
BWL Energy (Teesside) Ltd.	Northern Ireland	100
BWL Energy (Rye House) Ltd.	Northern Ireland	50
Dampkraft Insurance Company	South Carolina	100
D.C.S. Dry Cooling Services S.r.l.	Italy	100
Delta Power Services, LLC	Delaware	100
Diamond Operating Co., Inc.	Delaware	100
Diamond Power Australia Holdings, Inc.	Delaware	100

Name of Company	Jurisdiction of Organization	Percentage of Ownership Interest
Diamond Power Central & Eastern Europe s.r.o.	Czech Republic	100
Diamond Power China Holdings, Inc.	Delaware	100
Diamond Power do Brasil Limitada	Brazil	100
Diamond Power Equity Investments, Inc.	Delaware	100
Diamond Power Finland OY	Finland	100
Diamond Power Germany GmbH	Germany	95
Diamond Power International, LLC	Delaware	100
Diamond Power Machine (Hubei) Co., Inc.	China	100
Diamond Power Services S.E.A. Ltd.	Thailand	50
Diamond Power Specialty (Proprietary) Limited	Republic of South Africa	100
Diamond Power Specialty Limited	United Kingdom	100
Diamond Power Sweden AB	Sweden	100
Ebensburg Energy, LLC	Delaware	100
Ebensburg Investors Limited Partnership	Pennsylvania	100
O&M Holding Company	Delaware	100
P. T. Babcock & Wilcox Asia	Indonesia	100
Power Systems Operations, Inc.	Delaware	100
Servicios de Fabricacion de Valle Soleado, S.A. de C.V.	Mexico	100
Servicios Profesionales de Valle Soleado, S.A. de C.V.	Mexico	100
SOFCo - EFS Holdings LLC	Delaware	100
SPIG S.p.A.	Italy	100
SPIG S.p.A.	Ecuador	100
SPIG Kühlturmtechnologien GmbH	Germany	100
SPIG Turn Apa de Racine	Romania	100
SPIG Vostock	Russia	95
SPIG Sogutma Sistemleri Tic Ltd	Turkey	100
SPIG Cooling Towers India Private Limited	India	100
SPIG Torres de Resfriamento Ltda.	Brazil	100
SPIG (Shanxi) Cooling System Co., Ltd.	China	100
SPIG (Shanxi) Cooling Technology Company, Ltd.	China	60
SPIG KOREA LTD.	Korea	100
The Babcock & Wilcox Company	Delaware	100

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-236254 and No. 333-234754 on Forms S-3 and Registration Statement 333-233225 on Form S-8 of our report dated March 8, 2021, relating to the consolidated financial statements of Babcock & Wilcox Enterprises, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2020

/S/ DELOITTE & TOUCHE LLP

Cleveland, Ohio
March 8, 2021

CERTIFICATION

I, Kenneth M. Young, certify that:

1. I have reviewed this annual report on Form 10-K of Babcock & Wilcox Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 8, 2021

/s/ Kenneth M. Young

Kenneth M. Young

President and Chief Executive Officer

CERTIFICATION

I, Louis Salamone, certify that:

1. I have reviewed this annual report on Form 10-K of Babcock & Wilcox Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 8, 2021

/s/ Louis Salamone

Louis Salamone

Executive Vice President, Chief Financial Officer and Chief Accounting Officer
(Principal Financial and Accounting Officer)

BABCOCK & WILCOX ENTERPRISES, INC.

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Kenneth M. Young, President and Chief Executive Officer of Babcock & Wilcox Enterprises, Inc., a Delaware corporation (the “Company”), hereby certify, to my knowledge, that:

- (1) the Company’s annual Report on Form 10-K for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of B&W as of the dates and for the periods expressed in the Report.

Dated: March 8, 2021

/s/ Kenneth M. Young
Kenneth M. Young
President and Chief Executive Officer

BABCOCK & WILCOX ENTERPRISES, INC.

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Louis Salamone, Chief Financial Officer of Babcock & Wilcox Enterprises, Inc., a Delaware corporation (the “Company”), hereby certify, to my knowledge, that:

- (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of B&W as of the dates and for the periods expressed in the Report.

Dated: March 8, 2021

/s/ Louis Salamone

Louis Salamone

Executive Vice President, Chief Financial Officer and Chief Accounting Officer
(Principal Financial and Accounting Officer)