

BABCOCK & WILCOX ENTERPRISES, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
(in thousands, except per share amounts)	2016	2015	2014
Revenues	\$ 1,578,263	\$ 1,757,295	\$ 1,486,029
Costs and expenses:			
Cost of operations	1,399,146	1,449,138	1,266,996
Research and development costs	10,406	16,543	18,483
Losses (gains) on asset disposals and impairments, net	(32)	14,597	1,752
Selling, general and administrative expenses	247,149	239,968	225,271
Restructuring activities and spin-off transaction costs	40,807	14,946	20,183
Total costs and expenses	1,697,476	1,735,192	1,532,685
Equity in income (loss) of investees	16,440	(242)	8,681
Operating income (loss)	(102,773)	21,861	(37,975)
Other income (expense):			
Interest income	810	618	1,060
Interest expense	(3,796)	(1,059)	(492)
Other – net	(2,380)	(1,215)	789
Total other income (expense)	(5,366)	(1,656)	1,357
Income (loss) before income tax expense	(108,139)	20,205	(36,618)
Income tax expense (benefit)	6,943	3,671	(24,728)
Income (loss) from continuing operations	(115,082)	16,534	(11,890)
Income (loss) from discontinued operations, net of tax	—	2,803	(14,272)
Net income (loss)	(115,082)	19,337	(26,162)
Net income attributable to noncontrolling interest	(567)	(196)	(366)
Net income (loss) attributable to shareholders	\$ (115,649)	\$ 19,141	\$ (26,528)
Amounts attributable to shareholders:			
Income (loss) from continuing operations	\$ (115,649)	\$ 16,338	\$ (12,256)
Income (loss) from discontinued operations, net of tax	—	2,803	(14,272)
Net income (loss) attributable to shareholders	\$ (115,649)	\$ 19,141	\$ (26,528)
Basic earnings (loss) per share - continuing operations	\$ (2.31)	\$ 0.31	\$ (0.23)
Basic earnings per share - discontinued operations	—	0.05	(0.26)
Basic earnings (loss) per share	\$ (2.31)	\$ 0.36	\$ (0.49)
Diluted earnings (loss) per share - continuing operations	\$ (2.31)	\$ 0.30	\$ (0.23)
Diluted earnings per share - discontinued operations	—	0.06	(0.26)
Diluted earnings (loss) per share	\$ (2.31)	\$ 0.36	\$ (0.49)
Shares used in the computation of earnings per share:			
Basic	50,129	53,487	54,239
Diluted	50,129	53,709	54,239

See accompanying notes to consolidated and combined financial statements.

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

(in thousands)	Year Ended December 31,		
	2016	2015	2014
Net income (loss)	\$ (115,082)	\$ 19,337	\$ (26,162)
Other comprehensive income (loss):			
Currency translation adjustments	(24,494)	(19,459)	(26,895)
Derivative financial instruments:			
Unrealized gains (losses) on derivative financial instruments	2,208	282	(3,184)
Income taxes	162	(57)	(824)
Unrealized gains on derivative financial instruments, net of taxes	2,046	339	(2,360)
Derivative financial instrument (gains) losses reclassified into net income	(3,598)	1,557	2,169
Income taxes	(568)	424	559
Reclassification adjustment for (gains) losses included in net income, net of taxes	(3,030)	1,133	1,610
Benefit obligations:			
Unrealized gains (losses) on benefit obligations	12,202	462	2,719
Income taxes	4,510	(57)	(1,237)
Unrealized gains (losses) on benefit obligations, net of taxes	7,692	519	3,956
Amortization of benefit plan costs (benefits)	(254)	1,042	931
Income taxes	(404)	1,237	2,242
Amortization of benefit plan costs (benefits), net of taxes	150	(195)	(1,311)
Investments:			
Unrealized gains (losses) on investments	11	(65)	(2)
Income taxes	4	(16)	—
Unrealized gains (losses) on investments, net of taxes	7	(49)	(2)
Investment gains reclassified into net income	—	42	—
Income taxes	—	15	—
Reclassification adjustments for losses included in net income, net of taxes	—	27	—
Other comprehensive income (loss)	(17,629)	(17,685)	(25,002)
Total comprehensive income (loss)	(132,711)	1,652	(51,164)
Comprehensive loss attributable to noncontrolling interest	(575)	(183)	(329)
Comprehensive income (loss) attributable to shareholders	\$ (133,286)	\$ 1,469	\$ (51,493)

See accompanying notes to consolidated and combined financial statements.

**BABCOCK & WILCOX ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share amount)	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 95,887	\$ 365,192
Restricted cash and cash equivalents	27,770	37,144
Accounts receivable – trade, net	282,347	291,242
Accounts receivable – other	73,756	44,765
Contracts in progress	166,010	128,174
Inventories	85,807	90,119
Other current assets	45,957	21,548
Total current assets	777,534	978,184
Property, plant and equipment - gross	332,537	330,021
Accumulated depreciation	(198,900)	(184,304)
Net property, plant and equipment	133,637	145,717
Goodwill	267,395	201,069
Deferred income taxes	163,388	190,656
Investments in unconsolidated affiliates	98,682	92,196
Intangible assets	71,039	37,844
Other assets	17,468	17,379
Total assets	\$ 1,529,143	\$ 1,663,045
Revolving debt	\$ 14,241	\$ 2,005
Accounts payable	220,737	175,170
Accrued employee benefits	35,497	51,476
Advance billings on contracts	210,642	229,390
Accrued warranty expense	40,467	39,847
Other accrued liabilities	95,954	63,464
Total current liabilities	617,538	561,352
Accumulated postretirement benefit obligations	12,822	27,768
Pension liabilities	288,437	282,133
Other noncurrent liabilities	49,395	43,365
Total liabilities	968,192	914,618
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.01 per share, authorized 200,000 shares; issued 48,688 and 52,481 shares at December 31, 2016 and 2015, respectively	544	540
Capital in excess of par value	806,589	790,464
Treasury stock at cost, 5,592 and 1,376 shares at December 31, 2016 and December 31, 2015, respectively	(103,818)	(25,408)
Retained earnings (deficit)	(114,684)	965
Accumulated other comprehensive loss	(36,482)	(18,853)
Stockholders' equity attributable to shareholders	552,149	747,708
Noncontrolling interest	8,802	719
Total stockholders' equity	560,951	748,427
Total liabilities and stockholders' equity	\$ 1,529,143	\$ 1,663,045

See accompanying notes to consolidated and combined financial statements.

BABCOCK & WILCOX ENTERPRISES, INC.
CONSOLIDATED AND COMBINED STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Capital In Excess of Par Value	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Former Parent Investment	Noncontrolling Interest	Total Stockholders' Equity								
	Shares	Par Value															
	(in thousands, except share and per share amounts)																
Balance December 31, 2013	—	\$	—	\$	—	\$	35,339	\$	489,381	\$	924	\$	525,644				
Net income	—		—		—		—		(26,528)		366		(26,162)				
Currency translation adjustments	—		—		—		(26,858)		—		(37)		(26,895)				
Derivative financial instruments	—		—		—		(750)		—		—		(750)				
Defined benefit obligations	—		—		—		2,645		—		—		2,645				
Available-for-sale investments	—		—		—		(2)		—		—		(2)				
Stock-based compensation	—		—		—		—		108		—		108				
Dividends to noncontrolling interests	—		—		—		—		—		(226)		(226)				
Net transfers from Parent	—		—		—		—		213,075		—		213,075				
Balance December 31, 2014	—	\$	—	\$	—	\$	10,374	\$	676,036	\$	1,027	\$	687,437				
Net income	—	\$	—	\$	—	\$	965	\$	18,176	\$	196	\$	19,337				
Currency translation adjustments	—		—		—		(19,446)		—		(13)		(19,459)				
Derivative financial instruments	—		—		—		1,472		—		—		1,472				
Defined benefit obligations	—		—		—		324		—		—		324				
Available-for-sale investments	—		—		—		(22)		—		—		(22)				
Stock-based compensation	137		17		7,772		(1,143)		—		6		6,652				
Repurchased shares	(1,376)		(14)		(24,265)		—		—		—		(24,279)				
Dividends to noncontrolling interests	—		—		—		—		—		(491)		(491)				
Net transfers from Parent	—		—		—		—		125,295		—		125,295				
Distribution of Nuclear Energy segment to former Parent	—		—		—		(11,555)		(36,284)		—		(47,839)				
Reclassification of former Parent investment to capital in excess of par value and common stock	53,720		537		782,692		—		—		(783,229)		—				
Balance December 31, 2015	52,481	\$	540	\$	790,464	\$	(25,408)	\$	965	\$	(18,853)	\$	719	\$	748,427		
Net income	—	\$	—	\$	—	\$	(115,649)	\$	—	\$	—	\$	567	\$	(115,082)		
Currency translation adjustments	—		—		—		(24,494)		—		8		(24,486)				
Derivative financial instruments	—		—		—		(984)		—		—		(984)				
Defined benefit obligations	—		—		—		7,842		—		—		7,842				
SPIG Acquisition	—		—		—		—		—		7,754		7,754				
Available-for-sale investments	—		—		—		7		—		—		7				
Stock-based compensation charges	423		46		16,125		(2,731)		—		—		13,440				
Repurchased shares	(4,216)		(42)		(75,679)		—		—		—		(75,721)				
Dividends to noncontrolling interests	—		—		—		—		—		(246)		(246)				
December 31, 2016	48,688	\$	544	\$	806,589	\$	(103,818)	\$	(114,684)	\$	(36,482)	\$	—	\$	8,802	\$	560,951

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

(in thousands)	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	\$ (115,082)	\$ 19,337	\$ (26,162)
Non-cash items included in net income (loss):			
Depreciation and amortization	39,583	34,932	32,436
Debt issuance cost amortization	1,244	622	—
(Income) loss of equity method investees	(16,440)	242	8,743
Losses on asset disposals and impairments	14,938	16,881	5,989
Write-off of accrued claims receivable, net	—	7,832	—
Provision for (benefit from) deferred taxes	(9,000)	(32,121)	(42,023)
Recognition of losses for pension and postretirement plans	36,346	40,611	101,792
Stock-based compensation charges	16,129	7,773	(11)
Changes in assets and liabilities, net of effects of acquisition:			
Accounts receivable	58,915	(33,977)	(13,797)
Accrued insurance receivable	(15,000)	—	—
Contracts in progress and advance billings on contracts	(13,259)	62,971	(8,860)
Inventories	2,869	6,060	(99,192)
Income taxes	22,593	9,275	4,309
Accounts payable	4,542	17,863	10,123
Accrued and other current liabilities	25,110	11,464	9,660
Pension liabilities, accrued postretirement benefits and employee benefits	(46,973)	(2,336)	(17,259)
Other, net	(4,242)	2,970	10,028
Net cash from operating activities	2,273	170,399	(24,224)
Cash flows from investing activities:			
Decrease in restricted cash and cash equivalents	9,374	6,298	(5,646)
Purchase of property, plant and equipment	(22,450)	(35,397)	(15,475)
Acquisition of businesses, net of cash acquired	(144,780)	—	(127,705)
Proceeds from sale of equity method investment in a joint venture	17,995	—	—
Investment in equity method investees	(26,256)	(7,424)	(4,900)
Purchases of available-for-sale securities	(45,217)	(14,008)	(4,450)
Sales and maturities of available-for-sale securities	29,846	5,266	10,118
Other	646	(587)	(573)
Net cash from investing activities	(180,842)	(45,852)	(148,631)
Cash flows from financing activities:			
Borrowings under our U.S. revolving credit facility	205,600	—	—
Repayments of our U.S. revolving credit facility	(195,800)	—	—
Borrowings under our foreign revolving credit facilities	5,674	—	—
Repayments of our foreign revolving credit facilities	(20,248)	(1,080)	(4,538)
Payment of debt issuance costs	—	—	2,967
Net transfers from our former Parent	—	80,589	213,137
Repurchase of shares of our common stock	(78,410)	(25,408)	—
Other	(246)	(491)	100
Net cash from financing activities	(83,430)	53,610	211,666
Effects of exchange rate changes on cash	(7,306)	(6,407)	(12,573)
Cash flow from continuing operations	(269,305)	171,750	26,238
Cash flows from discontinued operations:			
Operating cash flows from discontinued operations, net	—	(25,194)	(191)
Investing cash flows from discontinued operations, net	—	(23)	(1,729)
Effects of exchange rate changes on cash	—	—	3,023
Net cash flows from discontinued operations	—	(25,217)	1,103