

Edgen Group Inc.
Form 10-Q
August 06, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

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

EDGEN GROUP INC.
EM HOLDINGS LLC
(Exact names of registrants as specified in their charters)

Commission File Number	State of Incorporation	IRS Employer Identification No.
001-35513	Delaware	38-3860801
033-10003	Delaware	80-0800485

18444 Highland Road

Baton Rouge, Louisiana 70809
(225) 756-9868

(Registrants' address of principal executive offices and telephone number)

Indicate by check mark whether the registrants (1) have 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) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes No

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

Edgen Group Inc. Accelerated filer

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	Large accelerated filer		Non-accelerated filer	Smaller reporting company
	<input type="radio"/>		<input checked="" type="radio"/>	<input type="radio"/>
EM Holdings LLC	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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

Edgen Group Inc.	Yes	<input type="radio"/>	No	<input checked="" type="radio"/>
EM Holdings LLC	Yes	<input type="radio"/>	No	<input checked="" type="radio"/>

The number of shares outstanding of Edgen Group Inc.'s common stock at July 23, 2012 is shown below:

Class and Par Value	Number of Shares Outstanding
Class A common stock, \$0.0001 par value	18,049,227
Class B common stock, \$0.0001 par value	24,343,138

All of the membership interests of EM Holdings LLC are indirectly owned by Edgen Group Inc.

This combined Form 10-Q is filed separately by both Edgen Group Inc. and EM Holdings LLC. Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrant.

EM Holdings LLC meets the conditions set forth in General Instruction H (1) (a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format permitted by General Instruction H (2).

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

EDGEN GROUP INC.
 UNAUDITED CONDENSED CONSOLIDATED/COMBINED CONSOLIDATED BALANCE SHEETS
 (In thousands)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$25,399	\$26,269
Accounts receivable - net of allowance for doubtful accounts of \$2,385 and \$2,056, respectively	273,899	261,155
Inventory	411,834	339,371
Prepaid expenses and other current assets	9,488	10,443
Total current assets	720,620	637,238
PROPERTY, PLANT AND EQUIPMENT - NET	45,816	46,647
GOODWILL	23,208	22,965
OTHER INTANGIBLE ASSETS - NET	158,691	172,036
OTHER ASSETS	14,439	21,854
TOTAL ASSETS	\$962,774	\$900,740
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Managed cash overdrafts	\$7,501	\$6,488
Accounts payable	217,799	223,428
Accrued interest payable	26,862	26,982
Current portion of long term debt and capital lease	380	19,244
Accrued expenses and other current liabilities	31,981	31,787
Total current liabilities	284,523	307,929
DEFERRED TAX LIABILITY - NET	3,701	4,544
OTHER LONG TERM LIABILITIES	1,322	783
REVOLVING CREDIT FACILITIES	92,500	37,523
LONG TERM DEBT AND CAPITAL LEASE	521,930	627,078
Total liabilities	903,976	977,857
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock; 18,049,227 shares issued and outstanding at June 30, 2012	2	-
Class B common stock; 24,343,138 shares issued and outstanding at June 30, 2012	2	-
Additional paid in capital	164,530	-
Retained deficit	(34,396)	-
Accumulated other comprehensive loss	(10,552)	-
Total stockholders' equity	119,586	-
PREDECESSOR NET DEFICIT:		
Net deficit	-	(51,799)
Accumulated other comprehensive loss	-	(25,648)

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Total predecessor net deficit	-	(77,447)
NON-CONTROLLING INTEREST	(60,788)	330
Total equity (deficit)	58,798	(77,117)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	\$962,774	\$900,740	

See accompanying notes to unaudited condensed consolidated/combined consolidated financial statements.

EDGEN GROUP INC.
 UNAUDITED CONDENSED CONSOLIDATED/COMBINED CONSOLIDATED STATEMENTS OF
 OPERATIONS
 (Dollars in thousands, except share data)

	Three months ended June		Six months ended June 30,	
	2012	30, 2011	2012	2011
SALES	\$496,499	\$415,106	\$1,002,329	\$742,116
OPERATING EXPENSES:				
Cost of sales (exclusive of depreciation and amortization shown below)	437,835	359,917	885,253	644,648
Selling, general and administrative expense	28,406	22,128	51,434	41,856
Depreciation and amortization expense	7,887	8,930	16,125	17,848
Total operating expenses	474,128	390,975	952,812	704,352
INCOME FROM OPERATIONS	22,371	24,131	49,517	37,764
OTHER INCOME (EXPENSE):				
Other income - net	167	504	472	1,786
Loss on prepayment of debt	(17,005)	-	(17,005)	-
Interest expense - net	(19,521)	(22,060)	(41,567)	(43,785)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT)	(13,988)	2,575	(8,583)	(4,235)
INCOME TAX EXPENSE (BENEFIT)	(165)	1,566	1,139	2,122
NET INCOME (LOSS)	\$(13,823)	\$1,009	\$(9,722)	\$(6,357)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Predecessor	\$768	\$955	\$4,858	\$(6,417)
Non-controlling interest	(8,517)	54	(8,506)	60
Edgen Group Inc. (from date of initial public offering to June 30, 2012)	(6,074)	-	(6,074)	-
EDGEN GROUP INC. LOSS PER SHARE*:				
Basic and diluted	\$(0.35)		\$(0.35)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING*:				
Basic and diluted	17,213,423		17,213,423	

*Loss per share and weighted average common shares outstanding shown above are for the period from May 2, 2012 to June 30, 2012 (the period since the initial public offering and the Reorganization). See Note 1 and Note 10 for more information.

See accompanying notes to unaudited condensed consolidated/combined consolidated financial statements.

EDGEN GROUP INC.
 UNAUDITED CONDENSED CONSOLIDATED/COMBINED CONSOLIDATED STATEMENTS OF
 COMPREHENSIVE INCOME (LOSS)
 (In thousands)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
NET INCOME (LOSS)	\$(13,823)	\$1,009	\$(9,722)	\$(6,357)
OTHER COMPREHENSIVE INCOME (LOSS):				
Foreign currency translation adjustments	(1,826)	(213)	812	2,853
COMPREHENSIVE INCOME (LOSS)	\$(15,649)	\$796	\$(8,910)	\$(3,504)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Predecessor	\$2,165	\$742	\$8,893	\$(3,564)
Non-controlling interest	(10,372)	54	(10,361)	60
Edgen Group Inc. (from date of initial public offering to June 30, 2012)	(7,442)	-	(7,442)	-

See accompanying notes to unaudited condensed consolidated/combined consolidated financial statements.

EDGEN GROUP INC.
 UNAUDITED CONDENSED CONSOLIDATED/COMBINED CONSOLIDATED STATEMENTS
 STOCKHOLDERS' EQUITY (DEFICIT)
 (In thousands, except unit data)

	Predecessor net deficit	Common Class A	Edgen Group Inc. stock Class B	Additional paid in capital	Retained deficit	Accumulated other comprehensive loss	Non- controlling interest	Total stockholders' equity (deficit)
Balances at December 31, 2010	\$ (44,841)	\$-	\$-	\$ -	\$-	\$ (25,531)	\$ 42	\$ (70,330)
Net income (loss)	(6,417)	-	-	-	-	-	60	(6,357)
Other comprehensive income	-	-	-	-	-	2,853	-	2,853
Unit-based compensation	1,262	-	-	-	-	-	-	1,262
Distributions to owners of Predecessor	(4,952)	-	-	-	-	-	-	(4,952)
Balances at June 30, 2011	\$ (54,948)	\$-	\$-	\$ -	\$-	\$ (22,678)	\$ 102	\$ (77,524)
Balances at December 31, 2011	\$ (51,799)	\$-	\$-	\$ -	\$-	\$ (25,648)	\$ 330	\$ (77,117)
Net income	4,858	-	-	-	-	-	11	4,869
Other comprehensive income	-	-	-	-	-	4,035	-	4,035
Unit-based compensation	922	-	-	-	-	-	-	922
Distributions to owners of Predecessor	(8,605)	-	-	-	-	-	-	(8,605)
Balances at May 2, 2012 (initial public offering date)	(54,624)	-	-	-	-	(21,613)	341	(75,896)
Reorganization transactions:								
Exchange of Predecessor unit-based compensation	(11,498)	-	-	11,498	-	-	-	-
Allocation of Predecessor net deficit to equity accounts and issuance of Class B common stock	66,122	-	2	279	(28,322)	-	(38,328)	(247)

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Allocation of Predecessor AOCL to non-controlling interest	-	-	-	-	-	12,429	(12,429)	-
Initial public offering transaction:								
Net proceeds from issuance of 15,000,000 shares of Class A common stock from initial public offering	-	2	-	149,286	-	-	-	149,288
Balances after the initial public offering and the Reorganization	-	2	2	161,063	(28,322)	(9,184)	(50,416)	73,145
Net loss	-	-	-	-	(6,074)	-	(8,517)	(14,591)
Other comprehensive loss	-	-	-	-	-	(1,368)	(1,855)	(3,223)
Equity-based compensation	-	-	-	3,467	-	-	-	3,467
Balances at June 30, 2012	\$ -	\$2	\$2	\$ 164,530	\$(34,396)	\$ (10,552)	\$ (60,788)	\$ 58,798

See accompanying notes to unaudited condensed consolidated/combined consolidated financial statements.

EDGEN GROUP INC.
 UNAUDITED CONDENSED CONSOLIDATED/COMBINED CONSOLIDATED STATEMENTS OF CASH
 FLOWS
 (In thousands)

	Six months ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(9,722	) \$(6,357
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,125	17,848
Amortization of deferred financing costs	2,681	3,148
Non-cash accrual of interest on Seller Note	1,311	1,716
Amortization of discount on long term debt	638	584
Equity-based compensation expense	4,405	1,262
Allowance for doubtful accounts	243	(70
Provision for inventory allowances and writedowns	750	500
Loss on prepayment of debt	17,005	-
Deferred income tax benefit	(1,100	) (1,314
Loss (gain) on foreign currency transactions	544	(202
Unrealized loss (gain) on derivative instruments	444	(158
Loss (gain) on sale of property, plant and equipment	28	(992
Changes in operating assets and liabilities:		
Accounts receivable	(13,900	) (55,773
Inventory	(72,719	) (37,576
Income tax receivable	(1,255	) 17,685
Prepaid expenses and other current assets	459	(935
Accounts payable	(4,623	) 56,743
Accrued expenses and other current liabilities	(753	) 1,499
Income tax payable	426	2,992
Other	(351	) (213
Net cash provided by (used in) operating activities	(59,364	) 387
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(2,031	) (2,614
Proceeds from the sale of property, plant and equipment	37	6,270
Net cash provided by (used in) investing activities	(1,994	) 3,656
CASH FLOWS FROM FINANCING ACTIVITIES:		
Gross proceeds from issuance of Class A common stock in initial public offering	153,862	-
Deferred initial public offering costs	(4,574) -
Repayment of BL term loan, including prepayment penalty of \$8,876	(125,322) -
Repayment of portion of Seller Note	(10,745) -
Deferred financing costs	(356) -
Other principal payments on long term debt and capital lease	(174	) (3,343
Distributions to owners of Predecessor	(8,605	) (4,952
Proceeds from revolving credit facilities	404,771	89,548
Payments to revolving credit facilities	(349,840) (98,548
Managed cash overdraft	1,017	8,586

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Net cash provided by (used in) financing activities	60,034	(8,709)
Effect of exchange rate changes on cash and cash equivalents	454	499
NET CHANGE IN CASH AND CASH EQUIVALENTS	(870)	(4,167)
CASH AND CASH EQUIVALENTS - beginning of period	26,269	62,864
CASH AND CASH EQUIVALENTS - end of period	\$25,399	\$58,697

See accompanying notes to unaudited condensed consolidated/combined consolidated financial statements.

EDGEN GROUP INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED/COMBINED CONSOLIDATED FINANCIAL
STATEMENTS

(Dollars in thousands, except per share data)

References to “we,” “us” and “our” mean Edgen Group Inc. (“Edgen Group”) and its consolidated subsidiaries.

1. Organization, Basis of Presentation and General Accounting Matters

Formation and Organization

We are a publicly traded Delaware corporation. Our Class A common stock is listed on the New York Stock Exchange under the symbol “EDG.” We were formed in December 2011 to serve as the issuer in an initial public offering (“IPO”) and as the ultimate parent company of our operating subsidiaries, Edgen Murray Corporation (“EMC”) and its subsidiaries and Bourland & Leverich Supply Co. LLC (“B&L”). We own and control these operating subsidiaries through our approximately 42% economic interest in and our 100% voting control of our consolidated subsidiary, EDG Holdco LLC (“EDG LLC”), which indirectly owns 100% of, and controls, EMC and B&L.

Description of Operations

We are a leading global distributor to the energy sector of specialty products, including steel pipe, valves, quenched and tempered and high yield heavy plate and related components. We primarily serve customers that operate in the upstream, midstream and downstream end-markets for oil and natural gas as well as the power generation, civil construction and mining market segments. We have operations in the U.S., Canada, Brazil, the U.K., France, the United Arab Emirates (“UAE”), Saudi Arabia, India and Singapore and sales representative offices in Australia, China, South Korea and Indonesia. Our headquarters are located in Baton Rouge, Louisiana. We manage our business in two reportable segments: Energy & Infrastructure (“E&I”) and Oil Country Tubular Goods (“OCTG”).

Initial Public Offering and Reorganization

On May 2, 2012, we completed an IPO of 15,000,000 shares of Class A common stock at an initial offering price of \$11.00 per share, which generated net proceeds of approximately \$149,288 after deducting underwriting discounts, expenses and transaction costs. We used these net proceeds to purchase membership units of EDG LLC, which EDG LLC used to repay certain indebtedness of its subsidiaries, EMC and B&L.

Immediately prior to the consummation of the IPO, we were party to a series of transactions (the “Reorganization”). These transactions consisted of, among other things, the following:

- (1) Our formation of EDG LLC;
- (2) The contribution by Edgen Murray II, L.P. (“EM II LP”) of all of the equity interests of EMGH Limited (“EMGH”) to EMC, thereby making EMGH a wholly-owned subsidiary of EMC;
- (3) The redemption of EMC’s ownership interest in Bourland & Leverich Holdings LLC (“B&L Holdings”) for an equivalent ownership interest in B&L, B&L Holdings’ operating subsidiary;
- (4) The contribution by EM II LP of all of the shares of capital stock of EMC and all of EM II LP’s liabilities to EDG LLC in exchange for approximately 30% of EDG LLC and 12,615,230 shares of our Class B common stock;
- (5) The contribution by B&L Holdings of all of the membership units of B&L (other than those held by EMC) and all of B&L Holdings’ liabilities (other than those separately assumed by B&L) to EDG LLC in exchange for approximately 28% of EDG LLC and 11,727,908 shares of our Class B common stock; and
- (6) The exchange of (i) all of the restricted units of EM II LP and B&L Holdings and (ii) all of the options to purchase units of EM II LP and B&L Holdings for 2,987,838 and 1,723,981 restricted

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shares of our Class A common stock and options to purchase our Class A common stock, respectively.

As a result of the IPO and the Reorganization, we are the parent holding company of the historical businesses of EM II LP and B&L Holdings and have consolidated the results of these businesses with our own. The Reorganization has been accounted for as a transaction between entities under common control, as we, EM II LP, B&L Holdings, EDG LLC, and B&L have been since July 2010, and continue to be, under the collective common control of affiliates of Jefferies Capital Partners (“JCP”).

Basis of Financial Statement Presentation

The condensed consolidated/combined consolidated financial statements and notes are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”) for interim reporting.

EDGEN GROUP INC., continued

We did not own any assets prior to the IPO and the Reorganization. As required by GAAP for common control transactions, all assets and liabilities transferred to us as part of the Reorganization were recorded in our financial statements at carryover basis.

For periods prior to the IPO and the Reorganization, the combined consolidated financial statements and related notes presented within this Form 10-Q reflect the Reorganization as if it had occurred on July 19, 2010, the date that EM II LP and B&L Holdings came under the common control of JCP. As such, the periods prior to the IPO reflect the combined assets, liabilities and operations of the historical businesses of EM II LP and B&L Holdings (collectively, the "Predecessor"). Because a single direct owner relationship did not exist among the owners of the Predecessor, the net deficit of the Predecessor is shown in lieu of partners' or shareholders' deficit for periods prior to the IPO.

For periods subsequent to the IPO and the Reorganization, our consolidated financial statements include our accounts and those of our majority-owned subsidiaries in which we have a controlling interest, after the elimination of intercompany accounts and transactions. We also consolidate other entities in which we possess a controlling financial interest or in which we have the power to direct the activities that most significantly affect the entities' performance.

In the opinion of our management, these condensed consolidated/combined consolidated financial statements reflect all adjustments, including those of a normal recurring nature, necessary to present fairly the results of the reported interim periods. Although we believe the disclosures in these financial statements are adequate and make the information presented not misleading, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC.

These unaudited condensed consolidated/combined consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Prospectus filed with the SEC on April 27, 2012.

Use of Estimates

The preparation of our condensed consolidated/combined consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) the disclosure of contingent assets and liabilities at the date of the condensed consolidated/combined consolidated financial statements; and (iii) the reported amounts of revenues and expenses during the reporting period. Areas requiring significant estimates by our management include the following:

- provisions for uncollectible receivables;
- recoverability of inventories and application of lower of cost or market accounting;
- recoverability of goodwill and other indefinite-lived intangible assets;
- recoverability of other intangibles and long-lived assets and related estimated lives;
- valuation of equity-based compensation; and
- provisions for income taxes and related valuation allowances and tax uncertainties.

Actual results could differ from those estimates, and the foregoing interim results are not necessarily indicative of the results of operations to be expected for other interim periods or for the full year ending December 31, 2012.

Non-Controlling Interest

We record the portion of our consolidated subsidiaries that we do not own as non-controlling interest in the consolidated/combined consolidated financial statements. For periods prior to the IPO, non-controlling interest

reflects the 30% interest we do not own in a consolidated Bahraini joint venture. In the period subsequent to the IPO, non-controlling interest also includes the combined interest of approximately 58% of EDG LLC that is owned by EM II LP and B&L Holdings. See Note 9 for more information related to non-controlling interest.

2. Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies. Updates to the Accounting Standard Codification (“ASC”) are communicated through the issuance of an Accounting Standards Update (“ASU”).

Recently Issued

Currently, no recently issued accounting pronouncements that will be adopted by us are expected to have a material impact on our financial position, results of operations or cash flows.

Recently Adopted

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. This update is intended to increase the prominence of other comprehensive income in the financial statements by eliminating one of the presentation options provided by current GAAP and requiring an entity to present total comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We adopted this guidance at December 31, 2011 and chose to present other comprehensive income within a separate statement of comprehensive income. The effect of this amended guidance has been retrospectively applied to all periods presented.

EDGEN GROUP INC., continued

3. Supplemental Cash Flow Information

	Six months ended June 30,	
	2012	2011
Interest paid	\$ 36,578	\$ 38,475
Income taxes paid	4,075	762
Income tax refunds received	818	18,182
Non-cash investing and financing activities:		
Purchases of property, plant and equipment included in accounts payable	64	58

4. Property, Plant and Equipment

The historical costs of our property, plant and equipment and related accumulated depreciation balances were as follows at the dates indicated:

	June 30, 2012	December 31, 2011
Land and land improvements	\$ 11,510	\$ 11,247
Buildings	38,004	37,803
Equipment and computers	29,050	28,594
Leasehold improvements	6,155	6,000
Construction in progress	745	163
Property, plant and equipment - gross	85,464	83,807
Less: accumulated depreciation	(39,648)	(37,160)
Property, plant and equipment - net	\$ 45,816	\$ 46,647

We are party to a capital lease of land, an office building and two warehouses in Newbridge, Scotland. At June 30, 2012 and December 31, 2011, the carrying value of the leased fixed assets included in property, plant and equipment was \$15,075 and \$15,320, respectively. Our depreciation expense for the periods indicated is presented below:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Depreciation expense	\$ 1,263	\$ 1,394	\$ 2,601	\$ 2,809

EDGEN GROUP INC., continued

5. Intangible Assets

The following table summarizes our intangible assets at the dates indicated by reportable segment:

	Gross carrying value		Accumulated amortization		Net carrying value	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
E&I:						
Intangible assets subject to amortization:						
Customer relationships	\$82,581	\$82,057	\$(77,915)	\$(73,004)	\$4,666	\$9,053
Noncompete agreements	22,011	22,011	(18,878)	(17,055)	3,133	4,956
Sales backlog	9,634	9,589	(9,634)	(9,589)	-	-
Intangible assets not subject to amortization:						
Tradenames	11,501	11,424	-	-	11,501	11,424
Trademarks	14	14	-	-	14	14
Total E&I	\$125,741	\$125,095	\$(106,427)	\$(99,648)	\$19,314	\$25,447
OCTG:						
Intangible assets subject to amortization:						
Customer relationships	\$154,262	\$154,262	\$(26,139)	\$(19,127)	\$128,123	\$135,135
Noncompete agreements	2,000	2,000	(746)	(546)	1,254	1,454
Intangible assets not subject to amortization:						
Tradenames	10,000	10,000	-	-	10,000	10,000
Total OCTG	\$166,262	\$166,262	\$(26,885)	\$(19,673)	\$139,377	\$146,589
Total intangible assets	\$292,003	\$291,357	\$(133,312)	\$(119,321)	\$158,691	\$172,036

Foreign currency translation adjustments had the following effects on our intangible assets at June 30, 2012:

Effects of foreign currency translation:	June 30, 2012
On gross carrying value	\$ 646
On accumulated amortization	481

Our amortization expense for the periods indicated is presented below:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Amortization expense - E&I	\$ 3,012	\$ 3,930	\$ 6,298	\$ 7,827
Amortization expense - OCTG	3,606	3,606	7,212	7,212
Total amortization expense	\$ 6,618	\$ 7,536	\$ 13,510	\$ 15,039

Our scheduled amortization expense associated with intangible assets is expected to be:

Years ending December 31:

2012 (remaining)	\$	12,869
2013		16,231
2014		14,756
2015		14,277
2016		14,023
Thereafter		65,020
Total scheduled amortization expense	\$	137,176

6. Goodwill

The following table presents changes to goodwill and the gross carrying value and accumulated impairment losses associated with goodwill at the dates indicated. At June 30, 2012, all of our goodwill is included within the E&I segment.

	Gross	Accumulated impairment	Effects of foreign currency	Net
Balance at December 31, 2011	\$ 90,674	\$ (62,805)	\$ (4,904)	\$ 22,965
Effects of foreign currency	-	-	243	243
Balance at June 30, 2012	\$ 90,674	\$ (62,805)	\$ (4,661)	\$ 23,208

EDGEN GROUP INC., continued

7. Debt Obligations

Our credit arrangements, long term debt and capital lease consisted of the following at the dates indicated:

	June 30, 2012	December 31, 2011
\$465,000 12.25% EMC senior secured notes, net of discount of \$2,561 and \$2,968 at June 30, 2012 and December 31, 2011, respectively; due January 15, 2015	\$ 462,439	\$ 462,032
\$195,000 EM revolving credit facility, due May 11, 2014	41,000	20,523
\$125,000 BL term loan, due August 19, 2015	-	116,406
\$75,000 BL revolving credit facility, due August 19, 2014	51,500	17,000
Seller Note, net of discount of \$4,219 and \$5,624 at June 30, 2012 and December 31, 2011, respectively; due August 19, 2019	41,669	49,698
Capital lease	18,202	18,186
Total debt and capital lease obligations	614,810	683,845
Less: current maturities of debt	(380)	(19,244)
Long term debt and capital lease	\$ 614,430	\$ 664,601

Other than as disclosed below, there have been no significant changes in the terms or amounts of our consolidated debt obligations since those reported in the Prospectus we filed with the SEC on April 27, 2012.

EMC Senior Secured Notes

In connection with the Reorganization, EM Holdings LLC (“EM Holdings”) replaced EM II LP as the parent guarantor of the EMC senior secured notes. The EMC senior secured notes are guaranteed on a senior secured basis by EM Holdings and each of its existing and future U.S. subsidiaries that (1) is directly or indirectly 80% owned by EM Holdings; (2) guarantees the indebtedness of EMC or any of the guarantors; and (3) is not directly or indirectly owned by any non-U.S. subsidiary. At June 30, 2012, EMC is EM Holdings’ only U.S. subsidiary not directly or indirectly owned by any non-U.S. subsidiary. EM Holdings is therefore currently the sole guarantor of the EMC senior secured notes.

EM Revolving Credit Facility

On April 10, 2012, we entered into a seventh amendment (“Seventh Amendment”) to the EM revolving credit facility. The Seventh Amendment permits Edgen Murray Pte. Ltd. (“EM Pte”) to incur up to \$10,000 of additional indebtedness secured by a warehouse facility owned by EM Pte in Singapore and increases the unused line fee payable to the Singapore administrative agent and the Singapore collateral agent under the EM revolving credit facility from 0.50% to 0.65%. Additionally, the Seventh Amendment (i) permitted us to effect the Reorganization to facilitate the IPO; (ii) released EM II LP from its obligations under the EM revolving credit facility; and (iii) provided for certain other conforming and definitional changes.

BL Revolving Credit Facility

On May 2, 2012, we amended and restated the BL revolving credit facility (“BL Amendment”). The BL Amendment (i) permitted us to effect the Reorganization to facilitate the IPO; (ii) released B&L Holdings from its obligations under the BL revolving credit facility; and (iii) provided for certain other conforming and definitional changes.

Borrowings under our Revolving Credit Facilities

At June 30, 2012, utilization under our revolving credit facilities was as follows:

	EMC	EM revolving credit facility			Total	EM FZE facility	BL revolving credit facility	Total revolving credit facilities
		EM Canada	EM Europe	EM Pte				
Total availability at June 30, 2012	\$ 146,897	\$ 2,298	\$ 30,212	\$ 15,000	\$ 194,407	\$ 5,000	\$ 75,000	\$ 274,407
Less: cash borrowings	(41,000)	-	-	-	(41,000)	-	(51,500)	(92,500)
Less: trade finance instruments	(17,969) (a)	-	(9,076)	(5,432)	(32,477)	(1,796)	-	(34,273)
Less: reserves	(1,504)	(77)	(1,793)	-	(3,374)	-	-	(3,374)
Net availability at June 30, 2012	\$ 86,424	\$ 2,221	\$ 19,343	\$ 9,568	\$ 117,556	\$ 3,204	\$ 23,500	\$ 144,260

(a) Includes a letter of credit in the amount of \$5,000 that expires on June 14, 2013 and which supports the facility utilized by our subsidiary in Dubai, Edgen Murray FZE (the "EM FZE facility").

Our weighted average interest rate paid for cash borrowings under our revolving credit facilities ranged between 4.5% to 4.7% during the three months ended June 30, 2012 and 2.3% to 4.6% during the six months ended June 30, 2012.

On May 2, 2012, we used a portion of the net proceeds from the IPO to repay \$23,758 outstanding under the EM revolving facility.

EDGEN GROUP INC., continued

BL Term Loan

In August 2010, B&L Holdings issued a \$125,000 aggregate principal amount term note (the “BL term loan”). The remaining principal balance of \$104,498, accrued interest of \$1,060 and a prepayment penalty of \$8,876 were paid on May 2, 2012 with a portion of the net proceeds received from the IPO. In connection with this debt repayment, we expensed the remaining unamortized debt issuance costs of \$6,916. The effect of the prepayment penalty and write off of unamortized debt issuance costs associated with the BL term loan are classified as loss on prepayment of debt within our consolidated statement of operations.

Seller Note

In August 2010, B&L Holdings issued a \$50,000 note to the former owner of B&L’s predecessor business (the “Seller Note”). The fair value of the Seller Note was determined to be \$43,750 with an original issue discount of \$6,250. The Seller Note accrues interest at a base rate of 2.18% and a contingent rate of 5.82% for an aggregate interest rate of 8.0%, which compounds annually. A portion of the accrued interest equal to 37.5% of the base rate is due annually, while the remaining portion of accrued interest is added to the principal balance to be paid at maturity in August 2019. In connection with the Reorganization, B&L assumed B&L Holdings’ obligations under the Seller Note, and we used \$11,000 of the IPO net proceeds to repay \$10,745 of the principal balance and \$255 of the accrued interest outstanding. In connection with this repayment, we expensed \$1,173 of unamortized discount, which is classified as loss on prepayment of debt within our consolidated statement of operations. At June 30, 2012, the remaining principal, accrued interest and unamortized discount associated with the Seller Note were \$39,255, \$6,633 and \$4,219, respectively.

Third Party Guarantees

In the normal course of business, we may provide performance guarantees directly to third parties on behalf of our subsidiaries.

At June 30, 2012 and December 31, 2011, we had the following outstanding guarantees:

	June 30, 2012	December 31, 2011
Maximum potential obligations (undiscounted)	\$ 29,634	\$ 30,663
Guaranteed commitments outstanding	25,737	27,386

Additionally, at June 30, 2012 and December 31, 2011 we had the following bank guarantees which have been cash collateralized and included in prepaid expenses and other assets on our consolidated/combined consolidated balance sheets:

	June 30, 2012	December 31, 2011
Bank guarantees	\$ 889	\$ 675

8. Equity-Based Compensation

In connection with the IPO, we adopted the Edgen Group Inc. 2012 Omnibus Incentive Plan (“2012 Plan”), which allows us to grant equity-based compensation awards to certain officers, employees and directors providing services to us. Awards under the 2012 Plan may be granted in the form of restricted stock, stock options, stock appreciation rights, restricted stock units and other equity-based awards as deemed appropriate by our compensation committee. Up to 7,700,000 shares of our Class A common stock may be issued as awards under the 2012 Plan. After giving effect to the awards exchanged in connection with the Reorganization and those discussed below, an additional 2,926,792 shares may be issued subject to automatic annual increases in accordance with the terms of the 2012 Plan.

Exchange of Predecessor Unit-Based Compensation

In connection with the IPO and the Reorganization, all restricted units of EM II LP and B&L Holdings and all outstanding options to acquire the common partnership units of EM II LP and membership units of B&L Holdings were exchanged contemporaneously for a substantially equivalent value of restricted shares of our Class A common stock or options to acquire our Class A common stock, as applicable. The resulting restricted shares and stock options contain substantially identical terms, conditions and vesting schedules as the previously outstanding EM II LP and B&L Holdings unit-based awards. We accounted for these exchanges as a modification as required by GAAP. The modification did not result in any additional compensation expense as the fair value of the EM II LP and B&L Holdings unit-based awards immediately prior to their modification was substantially the same as the fair value of the newly issued equity-based awards immediately after the modification. Since this modification, we have continued to record compensation expense associated with these equity-based awards over the remaining vesting period.

EDGEN GROUP INC., continued

Equity-Based Compensation Activity

The following table presents the equity-based compensation expense that has been recorded within the consolidated/combined consolidated statements of operations for the three and six months ended June 30, 2012 and 2011. All amounts prior to the IPO relate to the unit-based compensation awards of our Predecessor.

Equity-based compensation expense by type:	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Stock options	\$375	\$374	\$749	\$718
Restricted stock	3,329	309	3,656	544
Total equity-based compensation expense	3,704	683	4,405	1,262
Tax benefit recognized	-	-	-	-
Total equity-based compensation expense - net of tax	\$3,704	\$683	\$4,405	\$1,262

Stock Option Activity

A summary of stock option activity during the six months ended June 30, 2012 is presented below. As discussed above, in connection with the IPO and the Reorganization, all of the options to purchase units of EM II LP and B&L Holdings that were outstanding prior to the IPO and the Reorganization were exchanged for a substantially equivalent value of options to purchase shares of our Class A common stock. As such, the table below reflects the exchange on May 2, 2012 of 14,623 Predecessor options for 1,723,981 options to purchase our Class A common stock:

	Number of options		Weighted-average exercise price per share	Weighted-average remaining contractual term (in years)
	Predecessor	Edgen Group		
Outstanding - December 31, 2011	14,923	-	\$ 1,080	
Granted	-	-	-	
Exercised	-	-	-	
Forfeited	(300)	-	1,000	
Expired	-	-	-	
Outstanding - May 2, 2012 (IPO date)	14,623	-	1,082	
Exchange of Predecessor unit-based compensation	(14,623)	1,723,981	9.14	
Granted	-	-	-	
Exercised	-	-	-	
Forfeited	-	-	-	
Expired	-	-	-	
Outstanding - June 30, 2012	-	1,723,981	9.14	7.23
Exercisable - June 30, 2012	-	690,653	11.75	6.25

At June 30, 2012, there was \$2,440 of compensation expense associated with unvested stock options which we expect to recognize over a weighted average period of 1.54 years.

Restricted Stock Activity

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The following table summarizes restricted stock activity during the six months ended June 30, 2012, including the exchange on May 2, 2012 of 4,139 Predecessor unvested restricted units for 783,013 unvested restricted shares of our Class A common stock:

	Number of shares		Weighted- average grant date fair value
	Predecessor	Edgen Group	
Outstanding - December 31, 2011	4,252	-	\$ 1,271
Granted	-	-	-
Vested	(113)	-	1,075
Forfeited	-	-	-
Outstanding - May 2, 2012 (IPO date)	4,139	-	1,222
Exchange of Predecessor unit-based compensation	(4,139)	783,013	6.31
Granted	-	61,389	7.33
Vested	-	(533,085)	6.72
Forfeited	-	-	-
Outstanding - June 30, 2012	-	311,317	5.82

EDGEN GROUP INC., continued

In June 2012, we accelerated the vesting period of 533,085 shares of restricted stock previously awarded to employees in our OCTG operating segment, resulting in an additional \$3,004 of compensation expense during the period. At June 30, 2012, there was \$1,490 of compensation expense associated with the remaining unvested restricted stock which we expect to recognize over a weighted average period of 1.57 years.

9. Equity

Our amended and restated certificate of incorporation provides for two classes of common stock, Class A and Class B, as well as preferred stock, the rights, preferences and privileges of which will be designated by our board at the time of issuance. There are currently no shares of our preferred stock outstanding. We are authorized to issue 500,000,000 shares of our capital stock, all with a par value of \$0.0001 per share. Of these shares, 435,656,862 shares are designated as Class A common stock, 24,343,138 shares are designated as Class B common stock and 40,000,000 shares are designated as preferred stock.

Class A and Class B Common Stock

Holders of our Class A common stock and holders of our Class B common stock are each entitled to one vote per share and will vote together as a single class on all matters submitted to a vote of stockholders except in limited circumstances outlined in our amended and restated certificate of incorporation.

Holders of our Class A common stock are entitled to receive dividends, if any are declared by our board, and, in the event of our liquidation, dissolution or winding up, will be entitled to receive ratably the assets available for distribution to our stockholders after payment of liabilities and payment of liquidation preference on any outstanding shares of our preferred stock. Holders of our Class B common stock have no economic rights to our assets or income. All of our Class B common stock is held by EM II LP and B&L Holdings.

The following table presents our common stock share activity since the IPO:

	Common stock	
	Class A	Class B
Balance at May 2, 2012 (IPO date)		
Class A shares issued in connection with the IPO	15,000,000	-
Class B shares issued to EM II LP and B&L Holdings in connection with the Reorganization	-	24,343,138
Class A restricted shares issued in connection with the Reorganization	2,987,838	-
Restricted common stock issued	61,389	-
Balance at June 30, 2012	18,049,227	24,343,138

Non-Controlling Interest

Non-controlling interest recorded in our consolidated financial statements subsequent to the IPO primarily relates to the approximately 58% combined ownership of EDG LLC by EM II LP and B&L Holdings.

As discussed in Note 1, a portion of the historical Predecessor net deficit was transferred to non-controlling interest as part of the Reorganization, representing the ownership by EM II LP and B&L Holdings of EDG LLC. Subsequent to the Reorganization, any changes to non-controlling interest are the result of (i) EM II LP's and B&L Holdings' proportional share of the comprehensive income or loss generated by EDG LLC, (ii) 30% of the income earned by our Bahraini joint venture and (iii) the exercise of Exchange Rights, if any, discussed below.

Exchange Rights

In connection with the Reorganization, we and EDG LLC entered into an Exchange Agreement with each of EM II LP and B&L Holdings which, subject to certain limitations and subject to the terms specified in each Exchange Agreement, allows EM II LP and B&L Holdings to exchange their membership units of EDG LLC, together with their shares of our Class B common stock, for shares of our Class A common stock on a one-for-one basis (subject to customary conversion rate adjustments for splits, stock dividends and reclassifications), or, at our election, cash, (“Exchange Rights”) as provided in the applicable Exchange Agreement. Subsequent to the Reorganization, EM II LP and B&L Holdings beneficially own 12,615,230 and 11,727,908, respectively, of EDG LLC membership units and shares of our Class B common stock. As the Exchange Rights are exercised, our non-controlling interest will be reduced and our outstanding shares of Class A common stock will increase. There have been no exercises of Exchange Rights since the IPO.

EDGEN GROUP INC., continued

The following table presents our non-controlling interest at the dates indicated:

	Non-controlling interest		Total non-controlling interest
	Predecessor owners	Joint venture partner (1)	
Balance at December 31, 2011	\$-	\$330	\$330
Net income attributable to non-controlling interests	-	11	11
Balance at May 2, 2012 (IPO date)	-	341	341
Allocation of Predecessor net deficit to non-controlling interest (2)	(38,328)	-	(38,328)
Allocation of Predecessor AOCL to non-controlling interest (2)	(12,429)	-	(12,429)
Net income attributable to non-controlling interests	(8,519)	2	(8,517)
Other comprehensive income attributable to non-controlling interests	(1,855)	-	(1,855)
Balance at June 30, 2012	\$(61,131)	\$343	\$(60,788)

(1) Represents the 30% interest we do not own in a consolidated Bahraini joint venture.

(2) Net income attributable to non-controlling interests and other comprehensive income attributable to non-controlling interests associated with the Predecessor owners is calculated as the net income or loss and other comprehensive income or loss generated by EDG LLC during the period, multiplied by the weighted average non-controlling ownership percentage during the period. The weighted average non-controlling ownership percentage during the period was approximately 58%.

10. Earnings (Loss) per Share

We calculate basic earnings per share by dividing the earnings attributable to Edgen Group by the weighted average number of shares of common stock outstanding during each period, which includes Class A common stock issued in connection with equity offerings, restricted stock that has vested and shares that have been purchased through the exercise of vested stock options. Diluted earnings per share amounts include the dilutive effect of stock options (using the treasury stock method as prescribed by GAAP) and other stock awards granted to employees under the 2012 Plan, as well as the exchange of Class B common shares for Class A common shares via the exercise of the Exchange Rights. We adjust the numerator in our diluted earnings per share calculation for the income attributable to non-controlling interest of EDG LLC owned by the holders of our Class B common shares. As the Class B shares are exchanged, the amount of income allocated to Edgen Group will increase and the amount of income allocated to the non-controlling interest holders of EDG LLC will decrease.

The following table sets forth the computation of basic and diluted loss per share for the period from May 2, 2012 to June 30, 2012 (the period since the IPO and the Reorganization). Prior to the IPO and the Reorganization, all income or loss generated from our operations was allocated to the Predecessor. Because we historically operated as a series of related partnerships and limited liability companies, and there was no single capital structure upon which to calculate historical earnings per share information, we have not provided a calculation of basic and diluted earnings per share for periods prior to the IPO and the Reorganization.

Basic loss per share:

Numerator (in thousands):

Net loss attributable to Edgen Group Inc. \$ (6,074)

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Denominator:	
Class A shares	17,213,423
Basic weighted average common shares outstanding	17,213,423
Basic loss per share	\$ (0.35)
Diluted loss per share:	
Numerator (in thousands):	
Net loss attributable to Edgen Group Inc.	\$ (6,074)
Denominator:	
Basic weighted average common shares outstanding	17,213,423
Class A unvested restricted shares	-
Class B shares	-
Class A options (vested and unvested)	-
Diluted weighted average common shares outstanding	17,213,423
Diluted loss per share	\$ (0.35)

EDGEN GROUP INC., continued

Due to our net loss for the period, no potentially dilutive shares were included in our diluted loss per share calculation because they were all anti-dilutive. The table below presents the shares that were excluded from our dilutive loss per share calculation:

Class A unvested restricted shares	311,317
Class B shares	24,343,138
Class A options (vested and unvested)	1,723,981
Total anti-dilutive shares	26,378,436

11. Income Taxes

We are subject to U.S., federal, state and local income taxes. In addition, certain of our subsidiaries are subject to foreign income taxes based on the various jurisdictions in which they operate. We provide for current and deferred corporate income taxes in our consolidated/combined consolidated financial statements. Due to the organizational structure of our subsidiaries, some of which are pass-through entities for income tax purposes, and others which are corporations, the effective tax rate calculated from our consolidated/combined consolidated financial statements is not indicative of our actual effective tax rate, which is a combination of the effective tax rates of our taxable subsidiaries, adjusted for our ownership percentage of each subsidiary. Our consolidated annualized estimated effective tax rate for the year is approximately 17%. The following table presents our income tax expense (benefit) for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Income (loss) before income tax expense (benefit)	\$ (13,988)	\$ 2,575	\$ (8,583)	\$ (4,235)
Income tax expense (benefit)	(165)	1,566	1,139	2,122
Effective tax rate	1 %	61 %	(13 %)	(50 %)

Prior to the IPO and the Reorganization, we did not incur tax on the income earned by the subsidiary that comprises our OCTG segment because that subsidiary was a pass-through entity for income tax purposes. As a result of the Reorganization, we now incur tax expense associated with this segment. Additionally, we did not recognize a tax benefit for taxable losses generated in our E&I segment by our U.S. operations during the six months ended June 30, 2012 and 2011 due to a valuation allowance that has been established against any tax benefits related to these taxable losses.

At June 30, 2012 and December 31, 2011, a valuation allowance of \$30,079 and \$24,299, respectively, was recorded against deferred tax assets and net operating loss ("NOL") carryforwards. The NOLs are scheduled to expire beginning in 2024 through 2031.

The following is a summary of activity related to uncertain tax positions:

Balance at January 1, 2012	\$1,939
Gross increases for tax positions taken in prior year	289
Settlement of uncertain tax position with tax authorities	-
Lapse of statute of limitations related to uncertain tax positions	-
Foreign currency translation	(6)
Balance at June 30, 2012	\$2,222

Our subsidiaries have open tax years as follows:

Jurisdiction	Tax years open for assessment		
Federal	2008	-	2011
Various State	2005	-	2011
Various Foreign	2007	-	2011

EDGEN GROUP INC., continued

To the extent amended returns are filed with respect to pre-2008 tax year ends, these years would be subject to limited examination by the Internal Revenue Service.

Tax Receivable Agreements (“TRA”)

In connection with the Reorganization, we entered into a TRA with each of EM II LP and B&L Holdings that will provide for the payment by us to EM II LP and B&L Holdings of 85% of the amount of the cash savings, if any, in U.S. federal, state and local income taxes that we actually realize as a result of increased depreciation and amortization deductions available to us as a result of the exercise of the Exchange Rights. We will retain the remaining 15% of cash savings, if any, in realized income tax savings. The term of the TRA commenced upon completion of the IPO and will continue until all such tax benefits have been utilized or have expired. Because there have been no exercises of Exchange Rights, the TRA has not impacted our financial statements.

12. Commitments and Contingencies

Operating Leases

Through our subsidiaries, we lease various properties, warehouses, equipment, vehicles and office space under operating leases with remaining terms ranging from one to nine years with various renewal options of up to 20 years. In addition to rental payments, substantially all leases require payment of taxes, insurance and maintenance costs. Total rental expense for all operating leases is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Operating lease rental expense	\$ 1,217	\$ 1,206	\$ 2,430	\$ 2,421

Employment Agreements

In the ordinary course of business, we have entered into employment agreements with certain executives. Among other things, the employment agreements provide for minimum salary levels, incentive bonuses and other compensation. Employment agreement terms also include payments to the executives in the event of termination of employment. The payments, among other things, may include cash severance, continuation of medical and other insurance benefits and acceleration of the vesting of certain equity-based awards, depending on, among other factors, the circumstances surrounding termination.

Legal Proceedings

We are involved in various claims, lawsuits and proceedings arising in the ordinary course of business. Although we attempt to collect from our suppliers any amounts paid to our customers arising from warranty claims and lawsuits, there can be no assurance that we will be able to recover from our suppliers, in every instance, any or all of the amounts claimed by our customers. While there are uncertainties inherent in the ultimate outcome of such matters and it is impossible to presently determine the ultimate costs that may be incurred, we believe the resolution of such uncertainties and the incurrence of such costs will not have a material effect on our consolidated financial position, results of operations or cash flows.

During the six months ended June 30, 2012, we have agreed to certain settlements with customers and suppliers related to warranty claims that arose in the normal course of business. The net impact of these settlements to our consolidated statement of operations was approximately \$400, all of which was recorded during the first quarter of 2012.

13. Segment Information

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We have two reportable segments: E&I and OCTG. Certain overhead operating expenses of our non-trading entities, including EM Holdings, EDG LLC, and Edgen Group are not allocated to the segments, but are included in Corporate.

The E&I segment, which is branded under the “Edgen Murray” name, serves customers in the Americas, Europe/Middle East/Africa (“EMEA”) and Asia Pacific (“APAC”) regions distributing pipe, plate, valves and related components to upstream, midstream, downstream and select power generation, civil construction and mining customers across more than 30 global locations.

The OCTG segment, which is branded under the “Bourland & Leverich” name, provides oil country tubular goods to the upstream conventional and unconventional onshore drilling market in the U.S. through nine customer sales and service locations and over 50 third-party owned distribution facilities.

Our Chief Executive Officer evaluates segment performance based on income (loss) from continuing operations before income taxes. We account for sales between segments at an agreed margin between segment management.

EDGEN GROUP INC., continued

The following table presents the financial information for each reportable segment. The prior period information related to the combined results of the Predecessor has been recast to conform to our change in segments made in connection with the IPO and the Reorganization:

	Three months ended June		Six months ended June	
	2012	2011	2012	2011
Sales:				
E&I	\$255,365	\$222,549	\$533,040	\$408,111
OCTG	241,136	192,619	469,291	334,067
Intersegment sales	(2)	(62)	(2)	(62)
Total sales	\$496,499	\$415,106	\$1,002,329	\$742,116
Intersegment sales:				
E&I	\$-	\$-	\$-	\$-
OCTG	2			