

CHICAGO BRIDGE & IRON CO N V

Form S-3

March 21, 2003

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As filed with the Securities and Exchange Commission on March 21, 2003

Registration No. 333-

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**Form S-3**  
**REGISTRATION STATEMENT**  
**UNDER THE SECURITIES ACT OF 1933**

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**Chicago Bridge & Iron Company N.V.**

*(Exact name of Registrant as Specified in Its Charter)*

**The Netherlands**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**Not Applicable**  
*(I.R.S. Employer  
Identification No.)*

**Polarisavenue 31**

**2132 JH Hoofddorp**  
**The Netherlands**  
**31-23-5685660**

*(Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Registrant's Principal Executive Offices)*

**Robert H. Wolfe, Esq.**

**Secretary**  
**Chicago Bridge & Iron Company**  
**10200 Grogan's Mill Road**  
**Suite 300**  
**The Woodlands, Texas 77380**  
**(281) 774-2200**

*(Name, Address, Including Zip Code, and Telephone Number,  
Including Area Code, of Agent for Service)*

**Copies to:**

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**35 West Wacker Drive**  
**Chicago, Illinois 60601**

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**Latham & Watkins Illinois LLC**  
**233 South Wacker Drive**  
**Chicago, Illinois 60606**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following

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box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

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### CALCULATION OF REGISTRATION FEE

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Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, Euro 0.01 par value per share	7,021,357 shares	\$16.855	\$118,344,972	\$9,574.11

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(1) Includes 915,829 shares to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee, based upon the average high and low prices of the common stock on The New York Stock Exchange on March 18, 2003, in accordance with Rule 457(c) under the Securities Act of 1933.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED \_\_\_\_\_, 2003**

**6,105,528 Shares**

**[CHICAGO BRIDGE & IRON LOGO]**

**Chicago Bridge & Iron Company N.V.**

**Common Stock, Par Value Euro 0.01 Per Share**

The shares of common stock are being sold by the selling shareholders. We will not receive any of the proceeds from the shares of common stock sold by the selling shareholders.

Our common stock is listed on The New York Stock Exchange under the symbol CBI . The last reported sale price on March 19, 2003 was \$17.49 per share.

The underwriters have an option to purchase a maximum of 915,829 additional shares to cover over-allotments of shares.

Unless otherwise indicated, the information in this prospectus has been adjusted to reflect a two-for-one stock split effected in the form of a stock dividend distributed on or about February 10, 2003.

**Investing in our common stock involves risks. See Risk Factors beginning on page 6.**

	<b>Price to Public</b>	<b>Underwriting Discounts and Commissions</b>	<b>Proceeds to the Selling Shareholders</b>
Per Share	\$	\$	\$
Total	\$	\$	\$

Delivery of the shares of common stock will be made on or about \_\_\_\_\_, 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

**Credit Suisse First Boston LLC  
First Albany Corporation**

**Banc of America Securities LLC**

**Hibernia Southcoast Capital**

**Sanders Morris Harris**

The date of this prospectus is \_\_\_\_\_, 2003.

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[Inside front cover and inside back cover of prospectus]

Chicago Bridge & Iron Company, N.V. color gatefold graphic

CB&I Logo (lower right of inside back cover)

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We have not authorized anyone to provide you with information that is different from the information contained in this document or to which we have referred you. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document, and we do not intend to update this information after the offer and sale of these securities.

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**PROSPECTUS SUMMARY**

*This summary highlights important information regarding our business and the terms of this offering. Because this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus carefully, including the information under Risk Factors and the consolidated financial statements and the related notes included elsewhere in this prospectus before making an investment decision. Unless otherwise stated, the information contained in this prospectus (i) assumes that the underwriters do not exercise their over-allotment option and (ii) has been adjusted to reflect a two-for-one stock split effected in the form of a stock dividend on or about February 10, 2003.*

**Our Company**

We are a global specialty engineering, procurement and construction (EPC) company serving customers in several primary end markets, including hydrocarbon refining, natural gas, water and the energy sector in general. We have been helping our customers store and process the earth's natural resources for more than 100 years by supplying a comprehensive range of engineered steel structures and systems. We offer a complete package of design, engineering, fabrication, procurement, construction and maintenance services. Our projects include hydrocarbon processing plants, liquefied natural gas (LNG) terminals and peak shaving plants, bulk liquid terminals, water storage and treatment facilities, and other steel structures and their associated systems. During 2002, we worked on more than 700 contracts for customers in a variety of industries. Over the last several years, our customers have included:

large U.S., multinational and state-owned oil companies, such as Shell, ExxonMobil, Valero Refining Company, BP, Conoco, Saudi Aramco and PDVSA;

leading EPC companies, such as Fluor, Bechtel, Foster Wheeler, KBR and Technip-Coflexip;

LNG and natural gas producers and distributors, such as Williams Energy Services, Distrigas and Woodside Energy; and

municipal and private water companies.

We had revenue of approximately \$1.1 billion and income from continuing operations of approximately \$50.1 million in 2002. Our revenue and income from continuing operations increased 6.2% and 57.1%, respectively, between 2001 and 2002. Our backlog was \$1.3 billion at December 31, 2002. We employed approximately 7,000 persons worldwide as of December 31, 2002.

We believe that our principal end markets will continue to experience significant growth over time as global demand for oil, natural gas, energy, power and water increases. The Energy Information Administration (EIA) projects that global energy consumption will increase 60% between 1999 and 2020 primarily as a result of growing demand in developing economies. According to the EIA, natural gas is projected to be the fastest growing primary energy source worldwide, maintaining growth of 3.2% annually from 1999 to 2020 due principally to demand for electricity generation. We are tracking more than 30 LNG opportunities worldwide with combined potential revenue to the winning bidders in excess of \$2.5 billion for the period between 2003 and 2005. In addition, global implementation of clean fuel and water standards is expected to drive additional infrastructure investment.

We believe that our comprehensive global EPC capabilities and our broad range of products and services position us to capitalize on the expected growth in our primary end markets. Our acquisitions of Howe-Baker International, L.L.C. ( Howe-Baker ) and the Engineered Construction and Water Divisions of Pitt-Des Moines, Inc. (the PDM Divisions ) have significantly enhanced our range of services. We are able to manage the entire scope of large-scale process plant design and installation projects in addition to turnkey storage facilities. Coupled with our demonstrated history of superior project execution and project risk management, we believe that our expanded capabilities will provide us with the opportunity for future revenue growth.



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### **Competitive Strengths**

We believe that our core competencies enable us to deliver to our customers the best overall combination of experience, reliability, quality and performance which produces a lower-risk, higher value equation for our customers. These core competencies, which we believe are significant competitive strengths, include:

*Worldwide Record of Excellence.* We have established a record as a leader in the international engineering and construction industry by providing consistently superior project performance for more than 113 years.

*Fully-Integrated Specialty Engineering, Procurement & Construction Service Provider.* We are one of a very few global EPC service providers that can deliver a project from conception to commissioning, including conceptual design, detail engineering, procurement, fabrication, field erection, mechanical installation, start-up assistance and operator training.

*Global Execution Capabilities.* With a global network of some 35 sales and operations offices and established labor and supplier relationships, we have the ability to rapidly mobilize people, materials and equipment to execute projects in locations ranging from highly industrialized countries to some of the world's most remote regions.

*History of Innovation.* We have established a reputation for technical innovation and our acquisition of Howe-Baker has equipped us with well-established technology and proprietary know-how in refinery processes, desalting/ dehydration, synthesis gas production and gas-to-liquids processing.

*Strong Focus on Project Risk Management.* We are experienced in managing the risk associated with bidding on and executing complex projects and projects to be performed on a fixed-price, lump-sum basis, which has historically allowed us to achieve higher margins than those obtainable from cost-plus contracts.

*Strong Safety Performance.* Because of our long and outstanding safety record, we are sometimes invited to bid on projects for which other competitors do not qualify.

*Management Team with Deep Engineering & Construction Industry Experience.* Members of our senior leadership team have an average of more than 25 years of experience in the E&C industry.

### **Growth Strategy**

We intend to increase shareholder value through the execution of the following growth strategies:

*Leveraging the Strengths of Howe-Baker and the PDM Divisions.* Our acquisitions of Howe-Baker and the PDM Divisions have broadened our capabilities and resources to meet customer needs in our end markets, and we intend to focus on imparting best practices and technologies from each business throughout the organization.

*Expanding our Market Share in the High-Growth Energy Infrastructure Business.* We intend to utilize our substantial expertise and experience in LNG and cryogenic systems to expand our presence in the worldwide sales of LNG infrastructure facilities.

*Marketing our Expanded Capabilities.* We will continue to expand our marketing programs to identify and capitalize on attractive customer bases and end markets, focusing in particular on LNG projects and EPC opportunities utilizing the combined CB&I and Howe-Baker resources.

*Continuing to Improve Project Execution and Cost Control.* We intend to maintain and enhance our successful track record in project execution and to identify and control non-project expenses and capital expenditures.

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*Creating Growth from Acquisitions and Other Business Combinations.* We will continue to pursue growth through selective acquisitions of businesses or assets that will expand or complement our current portfolio of products and services.

**Our Address**

Our principal executive office is located at Polarisavenue 31, 2132 JH Hoofddorp, The Netherlands and our telephone number at that address is 31-23-5685660. Our administrative offices are located at 10200 Grogan s Mill Road, Suite 300, The Woodlands, Texas 77380 and our telephone number at that address is (281) 774-2200. Our Internet address is <http://www.chicagobridge.com>. The contents of our website are not part of this prospectus.

**The Offering**

Common stock offered (by the selling shareholders) 6,105,528 shares(1)(3)

Total common stock outstanding after the offering 44,561,231 shares(2)(3)

Use of proceeds We will not receive any of the proceeds from the shares sold by the selling shareholders.

NYSE symbol CBI

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- (1) Assumes the underwriters do not exercise their over-allotment option. If the over-allotment option is exercised in full, one of the selling shareholders will sell up to an additional 915,829 shares of common stock.
- (2) The number of shares of common stock outstanding after this offering is based on the number of shares outstanding as of March 1, 2003 and excludes 7,632,928 shares reserved for issuance under our employee compensation and stock plans, of which options to purchase 4,598,496 shares at a weighted-average exercise price of \$9.60 are currently outstanding.
- (3) Adjusted to reflect a two-for-one stock split effected in the form of a stock dividend distributed on or about February 10, 2003.

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We derived the following summary financial and operating data for the five years ended December 31, 1998 through 2002 from our audited consolidated financial statements. You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the related notes, appearing elsewhere or incorporated by reference into this prospectus.

	Year Ended December 31,				
	2002	2001	2000	1999	1998
<b>INCOME STATEMENT DATA</b>					
Revenues	\$ 1,148,478	\$ 1,081,824	\$ 611,691	\$ 674,386	\$ 775,692
Cost of revenues	992,927	945,048	542,721	596,695	703,351
Gross profit	155,551	136,776	68,970	77,691	72,341
Selling and administrative expenses	73,155	67,519	41,913	48,997	46,471
Intangibles amortization	2,529	5,819	599	514	500
Other operating income, net(1)	(1,818)	(691)	(2,401)	(2,788)	(991)
Special charges(2)	3,972	9,686	55,664		
Income (loss) from operations	77,713	54,443	(26,805)	30,968	26,361
Interest expense	(7,114)	(8,392)	(5,187)	(2,980)	(3,488)
Interest income	1,595	1,854	430	766	1,616
Income (loss) before taxes and minority interest	72,194	47,905	(31,562)	28,754	24,489
Income tax (expense) benefit	(20,233)	(13,480)	4,859	(8,061)	(7,347)
Income (loss) before minority interest	51,961	34,425	(26,703)	20,693	17,142
Minority interest in (income) loss	(1,812)	(2,503)	(1,341)	(1,171)	(105)
Income (loss) from continuing operations	50,149	31,922	(28,044)	19,522	17,037
Discontinued operations(3):					
Loss from discontinued operations, net of taxes		(2,321)	(5,731)	(1,138)	
Loss on disposal of discontinued operations, net of taxes		(9,898)			
Net income (loss)(4)	\$ 50,149	\$ 19,703	\$ (33,775)	\$ 18,384	\$ 17,037
<b>PER SHARE DATA(2)(4)(5)</b>					
Net income (loss) basic					
Income (loss) from continuing operations	\$ 1.16	\$ 0.74	\$ (1.49)	\$ 0.89	\$ 0.70
Loss from discontinued operations		(0.28)	(0.31)	(0.05)	
Net income (loss)	\$ 1.16	\$ 0.46	\$ (1.80)	\$ 0.84	\$ 0.70

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Net income (loss) diluted

Income (loss) from continuing operations	\$ 1.12	\$ 0.71	\$ (1.49)	\$ 0.87	\$ 0.70
Loss from discontinued operations		(0.27)	(0.31)	(0.05)	
Net income (loss)	\$ 1.12	\$ 0.44	\$ (1.80)	\$ 0.82	\$ 0.70
Dividends	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12

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## Year Ended December 31,

	2002	2001	2000	1999	1998
<b>BALANCE SHEET DATA</b>					
Goodwill	157,903	138,444	132,426	18,010	18,051
Total assets	740,436	648,265	538,415	336,773	348,709
Long-term debt	75,000	75,000	101,800	25,000	5,000
Total shareholders' equity	282,147	212,223	155,747	104,410	101,656
<b>CASH FLOW DATA</b>					
Cash flows from operating activities	\$ 72,030	\$ 105,796	\$ 4,085	\$ 22,461	\$ 50,824
Cash flows from investing activities	(36,957)	(35,775)	(65,567)	(8,911)	(2,142)
Cash flows from financing activities	16,985	(27,034)	50,618	(779)	(53,286)
<b>OTHER FINANCIAL DATA</b>					
Gross profit percentage	13.5%	12.6%	11.3%	11.5%	9.3%
New business taken(6)	\$ 1,641,128	\$ 1,160,374	\$ 680,776	\$ 712,973	\$ 760,989
Backlog(6)	1,310,987	835,255	597,350	507,472	507,783
Capital expenditures	23,927	8,917	6,353	13,379	12,249

- (1) Other operating income, net generally represents gains on the sale of property, plant and equipment.
- (2) In 2002, we recognized special charges of \$4.0 million. Included in the 2002 special charges were \$3.4 million for personnel costs, including severance and personal moving expenses associated with the relocation of our administrative offices; \$0.5 million for integration costs related to integration initiatives associated with the PDM Divisions acquisition; and \$0.4 million for facilities costs relating to the closure and relocation of facilities. During 2002, we also recorded income of \$0.4 million in relation to adjustments associated with the sale of our XL Technology Systems, Inc. subsidiary. In 2001, we recognized special charges of \$9.7 million. Included in the 2001 special charges were \$5.7 million for personnel costs, including severance and personal moving expenses associated with the relocation, closure or downsizing of offices and our voluntary resignation offer; \$2.8 million for facilities and other charges related to the sale, closure, downsizing or relocation of operations; and \$1.2 million for integration costs primarily related to integration initiatives associated with the PDM Divisions acquisition. In 2000, we recognized special charges of \$55.7 million. Included in the 2000 special charges were \$22.2 million for payments associated with our voluntary resignation offer, severance and other benefits-related costs; \$5.3 million in facilities-related expenses; and a \$28.2 million non-cash valuation allowance against a net long-term receivable for the Indonesian Tuban (T.P.P.I.) Project. See Note 4 to our Consolidated Financial Statements for additional details on special charges.
- (3) During the second quarter of 2001, we decided to discontinue our high purity piping business, UltraPure Systems, due primarily to continuing weak market conditions in the microelectronics industry. The loss on disposal of discontinued operations of \$9.9 million after-tax includes the write-down of equipment (net of proceeds), lease terminations, severance and other costs, and losses during the phase-out period. As a result of this operation being classified as discontinued, prior periods have been previously restated. Our actions necessary to discontinue UltraPure Systems were essentially complete at December 31, 2001.
- (4) We changed our method of accounting for goodwill upon adoption of SFAS No. 142 on January 1, 2002. See Note 7 to our Consolidated Financial Statements.
- (5) On January 22, 2003, we declared a two-for-one stock split effective in the form of a stock dividend payable February 10, 2003 to shareholders of record at the close of business on February 3, 2003. All share numbers and amounts have been adjusted for the stock split for all periods presented.
- (6) New business taken represents the value of new project commitments received by us during a given period. Such commitments are included in backlog until work is performed and revenue recognized or until cancellation. Backlog may also fluctuate with currency movements.

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**RISK FACTORS**

*You should carefully consider the following risks and uncertainties and all other information contained in this prospectus, including the documents incorporated by reference, before you decide whether to purchase our common stock. Any of the following risks, if they materialize, could adversely affect our business, financial condition or operating results. As a result, the trading price of our common stock could decline, and you could lose all or part of your investment.*

**Risk Factors Relating to Our Business**

***Our Revenues, Cash Flow and Earnings May Fluctuate.***

Our revenues, cash flow and earnings may fluctuate from quarter to quarter due to a number of factors. Our revenues, cash flow and earnings are dependent upon major construction projects in cyclical industries, including the hydrocarbon refining, natural gas and water industries. The selection of, timing of or failure to obtain projects, delays in awards of projects, cancellations of projects or delays in completion of contracts could result in the under-utilization of our resources which could have a material adverse impact on our business, financial condition, results of operations and cash flows. Moreover, construction projects for which our services are contracted may require significant expenditures by us prior to receipt of relevant payments by a customer and may expose us to potential credit risk if such customer should encounter financial difficulties. Such expenditures could have a material adverse impact on our cash flows. Finally, revenues may be negatively affected by the winding down or completion of work on significant projects that were active in previous periods if such significant projects have not been replaced in the current period.

***We May Not be Able to Fully Realize the Revenue Value Reported in Our Backlog.***

We have a backlog of work to be completed on contracts. Backlog develops as a result of new business taken, which represents the revenue value of new project commitments received by us during a given period. Backlog consists of projects which have either (i) not yet been started or (ii) are in progress and are not yet complete. In the latter case, the revenue value reported in backlog is the remaining amount that has not yet been completed. From time to time, projects are cancelled that appeared to have a high certainty of going forward at the time they were recorded as new business taken. In the event of a project cancellation, we may be reimbursed for certain costs but typically have no contractual right to the total revenues reflected in our backlog. If we were to experience significant cancellations or delays of projects in our backlog, our financial condition would be adversely affected. Backlog may also fluctuate with currency movements.

***Our Business is Dependent Upon the Level of Activity in the Hydrocarbon Industry.***

In recent years, demand from the worldwide hydrocarbon industry has been the largest generator of our revenues. Numerous factors influence capital expenditure decisions in the hydrocarbon industry, including current and projected oil and gas prices; exploration, extraction, production and transportation costs; the discovery rate of new oil and gas reserves; the sale and expiration dates of leases and concessions; local and international political and economic conditions, including war or conflict; technological advances; and the ability of oil and gas companies to generate capital. These factors are beyond our control. Our business, financial condition and results of operations may be materially adversely affected because of reduced activity in the hydrocarbon industry. In addition, we may be materially adversely affected by changing taxes, price controls and laws and regulations relating to the hydrocarbon industry.

***We Could Lose Money if We Fail to Accurately Estimate Our Costs or Fail to Execute Within Our Cost Estimates on Fixed-Price, Lump Sum Contracts.***

Most of our net revenue is derived from fixed-price, lump-sum contracts. Under these contracts, we perform our services and provide our products at a fixed price and, as a result, benefit from cost savings,

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but we may be unable to recover for any cost overruns. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, cost overruns may cause us to incur losses or cause the project not to be as profitable as we expected. This, in turn, could have a material adverse effect on our business and results of operations.

Under our percentage-of-completion accounting method, the use of estimated cost to complete each contract is a significant variable in the process of determining income earned for a particular period. See Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies.

***Political and Economic Conditions, Including War or Conflict, in Foreign Countries in Which We Operate Could Adversely Affect Us.***

A significant number of our projects are performed outside the United States. We expect non-U.S. sales and operations to continue to contribute materially to our earnings for the foreseeable future. Non-U.S. contracts and operations expose us to risks inherent in doing business outside the United States, including:

unstable economic conditions in the non-U.S. countries in which we make capital investments, operate and sell products and services;

the lack of well-developed legal systems in some countries in which we operate, which could make it difficult for us to enforce our contracts;

expropriation of property;

restriction on the right to convert or repatriate currency; and

political upheaval, including risks of loss due to civil strife, acts of war, guerrilla activities, insurrections and acts of terrorism.

For example, we have current significant operations in the Middle East and Venezuela, areas currently experiencing political instability and conflict.

***We Are Exposed to Foreign Exchange Risks.***

We are exposed to market risk from changes in foreign currency exchange rates, which may adversely affect our results of operations and financial condition. We seek to minimize the risks from these foreign currency exchange rate fluctuations through our regular operating and financing activities and, when deemed appropriate, through limited use of foreign currency forward contracts. Our exposure to changes in foreign currency exchange rates arises from receivables, payables and firm commitments from international transactions, as well as intercompany loans used to finance non-U.S. subsidiaries. We do not use financial instruments for trading or speculative purposes.

***Our Acquisition Strategy Involves a Number of Risks.***

We intend to pursue growth through the opportunistic acquisition of companies or assets that will enable us to expand our services to provide more cost-effective customer solutions. We routinely review potential acquisitions. This strategy involves certain risks, including difficulties in the integration of operations and systems, the diversion of management's attention from other business concerns, and the potential loss of key employees of acquired companies. We may not be able to successfully integrate acquired businesses into our operations.

***We Have a Risk that Our Goodwill May be Impaired and Result in a Charge to Income.***

We accounted for the Howe-Baker and PDM Divisions acquisitions using the purchase method of accounting. Under the purchase method we recorded, at fair value, the assets acquired and liabilities assumed and we recorded as goodwill the difference between the cost of acquisition and the sum of the

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fair value of the tangible and identifiable assets acquired, less liabilities assumed. At December 31, 2002, our goodwill balance was \$157.9 million, attributable to the excess of the purchase price over the fair value of assets acquired relative to acquisitions within our North American segment. In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards ( SFAS ) No. 141 Business Combinations and SFAS No. 142 Goodwill and Other Intangible Assets. These pronouncements change the accounting for business combinations, goodwill and intangible assets. SFAS No. 141 further clarifies the criteria to recognize intangible assets separately from goodwill. SFAS No. 142 states that goodwill and indefinite lived intangible assets are no longer amortized but are reviewed for impairment at least annually. We adopted these new standards effective as of January 1, 2002. In connection with the adoption of SFAS No. 142, during the first quarter of 2002, we completed our goodwill impairment assessment and concluded that no transitional impairment charge was necessary. Also, as of September 30, 2002, we completed our annual impairment assessment and concluded that no impairment charge was necessary. In the future, if our goodwill or other intangible assets were determined to be impaired, the impairment would result in a charge to income from operations in the year of the impairment with a resulting decrease in net worth.

***If We Are Unable to Retain Key Personnel, Our Business Could be Adversely Affected.***

Our business is dependent, to a large degree, upon the continued service of key members of our management. Our future success will also depend on our ability to attract, retain and motivate highly skilled personnel in various areas, including engineering, project management and senior management. If we do not succeed in retaining and motivating our current employees and attracting new high quality employees, our business could be adversely affected.

***Our Projects Expose Us to Potential Professional Liability, Product Liability, or Warranty or Other Claims.***

We engineer and construct (and our structures typically are installed in) large industrial facilities in which system failure can be disastrous. Notwithstanding the fact that we generally will not accept liability for consequential damages in our contracts, any catastrophic occurrence in excess of insurance limits at projects where our structures are installed or services are performed could result in significant professional liability, product liability or warranty or other claims against us. Such liabilities could potentially exceed our current insurance coverage and the fees we derive from those structures and services. A partially or completely uninsured claim, if successful and of a significant magnitude, could potentially result in substantial losses.

***We Are Exposed to Potential Environmental Liabilities.***

We are subject to environmental laws and regulations, including those concerning:

emissions into the air;

discharge into waterways;

generation, storage, handling, treatment and disposal of waste materials; and

health and safety.

Our businesses often involve working around and with volatile, toxic and hazardous substances and other highly regulated materials, the improper characterization, handling or disposal of which could constitute violations of U.S., federal, state or local laws and regulations and laws outside the U.S., and result in criminal and civil liabilities. Environmental laws and regulations generally impose limitations and standards for certain pollutants or waste materials and require us to obtain a permit and comply with various other requirements. Governmental authorities may seek to impose fines and penalties on us, or revoke or deny issuance or renewal of operating permits, for failure to comply with applicable laws and regulations.



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The environmental health and safety laws and regulations to which we are subject are constantly changing, and it is impossible to predict the effect of such laws and regulations on us in the future. We cannot assure that our operations will continue to comply with future laws and regulations or that these laws and regulations will not significantly adversely affect us.

We work around and with volatile, toxic and hazardous substances, which exposes us to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such substances that occurs as a result of the conduct of such businesses. In addition, we have agreed to indemnify parties to whom we have sold facilities for certain environmental liabilities from acts occurring before the dates those facilities were transferred. Although we maintain liability insurance, this insurance is subject to coverage limitations, deductibles and exclusions and may exclude coverage for losses or liabilities relating to pollution damage. We may incur liabilities that may not be covered by insurance policies, or, if covered, the dollar amount of such liabilities may exceed our policy limits. Even a partially uninsured claim, if successful and of significant magnitude, could have a material adverse effect on our business, financial condition and results of operations.

***We Are Uncertain as to the Outcome of a Pending Federal Trade Commission Proceeding.***

On October 25, 2001, the U.S. Federal Trade Commission ( FTC ) announced its decision to file an administrative complaint (the Complaint ) challenging our February 2001 acquisition of certain assets of the Engineered Construction Division of PDM. The Complaint alleges that the acquisition violated Federal antitrust laws by substantially lessening competition in certain field erected specialty industrial storage tank product lines in the United States: LNG tanks, LPG tanks, LIN/ LOX/ LAR tanks, and thermal vacuum chambers. The FTC is seeking various remedies, including an order that would require us to divest sufficient assets and personnel to re-establish two distinct and separate viable competing businesses engaged in the design, engineering, fabrication, construction and sale of the relevant product lines.

We believe that the Complaint is without merit. A hearing before an FTC administrative law judge was completed on January 16, 2003 and we are awaiting the decision of the FTC judge. We expect the impact of the FTC proceeding on our earnings in 2003 will be minimal. While we are unable to assess the ultimate outcome of the litigation or potential effect of any divestiture order or other remedy on our business, financial condition and results of operation, certain of the remedies currently proposed by the FTC, if implemented, could have a material adverse effect on us.

***We Are and Will Continue to be Involved in Litigation.***

We have been and may from time to time be named as a defendant in legal actions claiming damages in connection with engineering and construction projects and other matters. These are typically claims that arise in the normal course of business, including employment-related claims and contractual disputes or claims for personal injury or property damage which occur in connection with services performed relating to project or construction sites. Contractual disputes normally involve claims relating to the performance of equipment design or other engineering services or project construction services provided by our subsidiaries. Management does not currently believe that pending contractual, personal injury or property damage claims will have a material adverse effect on our earnings or liquidity; however, such claims could have such an effect in the future.

***Uncertainty in Enforcing United States Judgments Against Netherlands Corporations, Directors and Others.***

We are a Netherlands company and a significant portion of our assets are located outside the United States. In addition, certain members of our management and supervisory boards may be residents of countries other than the United States. As a result, effecting service of process on each person may be difficult, and judgments of United States courts, including judgments against us or members of our management or supervisory boards predicated on the civil liability provisions of the federal or state securities laws of the United States, may be difficult to enforce.

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***There Are Risks Related to Our Previous Use of Arthur Andersen LLP as Our Independent Public Accountant.***

In June 2002, Arthur Andersen LLP, our former independent public accountant, was convicted of federal obstruction of justice charges arising from the Federal government's investigation of Enron Corp. and subsequently has ceased practicing before the SEC. Although we replaced Arthur Andersen with Deloitte & Touche LLP effective May 10, 2002 as our principal independent public accountant, we have not engaged Deloitte & Touche to re-audit our consolidated financial statements for the fiscal years ended December 31, 2001 and 2000 and other periods with respect to certain businesses acquired by us whose financial statements were audited by Arthur Andersen.

We are required to file with the Securities and Exchange Commission (SEC) periodic reports containing financial statements audited or reviewed by an independent public accountant. Further, SEC rules require us to include or incorporate by reference in these reports and in the registration statement of which this prospectus is a part (and other registration statements for the offer and sale of our securities) audited financial statements for prior periods. As a result, we will be required to present audited financial statements for prior periods audited by Arthur Andersen. Our access to the public capital markets and our ability to comply with our reporting obligations in a timely manner, whether statutory or contractual, could be adversely affected if the SEC ceases accepting financial statements audited by Arthur Andersen. Moreover, some investors, including certain significant funds and institutional investors, underwriters and lenders, may choose not to hold, invest in or underwrite our securities or lend funds to us unless we cause the financial statements audited by Arthur Andersen to be re-audited and a new audit report to be issued by another firm of independent public accountants. Such a re-audit and issuance of a new report may not be possible and, in any event, would cause us substantial expense and delay in raising needed capital. Any delay or inability to raise capital caused by these circumstances could be disruptive and adversely affect the price and liquidity of our securities and may have a material adverse effect on our business and financial condition.

In light of the cessation of Arthur Andersen's practice, we were unable to obtain a consent from Arthur Andersen to include its audit report in this prospectus with respect to the financial statements referred to above that were audited by Arthur Andersen. As a result, we filed the registration statement of which this prospectus is a part, and we will file any amendment to such registration statement, in reliance on Rule 437(a) under the Securities Act which relieves an issuer from the obligation to obtain the consent of Arthur Andersen in certain cases. Because Arthur Andersen has not consented to the inclusion of their report in the registration statement, it may become more difficult for you to seek remedies against Arthur Andersen in connection with any material misstatement or omission that may be contained in our financial statements and schedules for such periods audited by Arthur Andersen. In particular, and without limitation, you will not be able to recover against Arthur Andersen under Section 11 of the Securities Act for any untrue statement of a material fact contained in the financial statements audited by Arthur Andersen or any omission of a material fact required to be stated in those financial statements. Also, it is unlikely that any assets would be available from Arthur Andersen to satisfy any claims arising from that firm's provision of auditing services to us, including any claims that may arise out of Arthur Andersen's audit of our financial statements included or incorporated by reference in this prospectus.

**Risk Factors Associated with Our Common Stock**

***Limited Trading Volume of Our Common Stock May Contribute to Its Price Volatility.***

Our common stock is traded on The New York Stock Exchange (NYSE). For the fourth quarter of 2002, the average daily trading volume for our common stock as reported by the NYSE was approximately 29,420 shares (prior to our stock split in February 2003). Even if we achieve a wider dissemination by means of our recent stock split and the shares offered pursuant to this prospectus, we are uncertain as to whether a more active trading market in our common stock will develop. As a result, relatively small trades may have a significant impact on the price of our common stock.

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***Certain Provisions of Our Articles of Association, a Shareholder Agreement and Netherlands Law May Have Possible Anti-Takeover Effects.***

After giving effect to this offering (but without giving effect to the exercise of any options, including the underwriters' over-allotment option), First Reserve Fund VIII, L.P. (First Reserve) will own approximately 20.7% of our outstanding common shares and WEDGE Engineering B.V. (WEDGE Engineering), an affiliate of WEDGE Group Incorporated (WEDGE), will own approximately 4.5% of our outstanding common shares. First Reserve (and its affiliates) is generally bound to vote, tender or otherwise act as recommended by the Supervisory Board with respect to proposed business combinations pursuant to the shareholder agreement to which it is party. See Principal and Selling Shareholders' Shareholder Agreements. In addition, our Articles of Association and the applicable law of The Netherlands contain provisions that may be deemed to have anti-takeover effects. Among other things, these provisions provide for a staggered board of Supervisory Directors, a binding nomination process and supermajority voting requirements in the case of shareholder approval for certain significant transactions. Such provisions may delay, defer or prevent a takeover attempt that a shareholder might consider in the best interests of our shareholders. In addition, certain United States tax laws, including those relating to possible classification as a controlled foreign corporation described below, may discourage third parties from accumulating significant blocks of our common stock.

***A Small Number of Shareholders Own a Large Percentage of Our Stock and Their Interests May Conflict With The Interests of the Company and of Our Other Shareholders.***

At the conclusion of this offering (assuming no exercise of the underwriters' over-allotment option), First Reserve with 20.7% and WEDGE with 4.5% will own in excess of 25% of our common shares and will be in a position to influence our business and affairs. Although First Reserve is subject to standstill, voting and transfer restrictions in its shareholder agreement with us that limits its ability to control our business, policies and affairs (see Principal and Selling Shareholders' Shareholder Agreements), First Reserve will continue to have two designees on our Supervisory Board who are in a position to influence decisions of our Supervisory Board affecting the business and management of our company, including decisions on such matters as the issuance or repurchase of common stock, the declaration of dividends, mergers and other business combination transactions, as well as transactions which may involve First Reserve. The interests of First Reserve and WEDGE may conflict with the interests of the Company and of our other shareholders.

***Existing Shareholders May Sell Their Shares, Which Could Depress the Market Price of Our Common Stock.***

Immediately following the offering, our executive officers and directors will own 2,536,530 shares of common stock that would be eligible, following the expiration of the 90-day lock-up agreements that each of these officers and directors has executed with Credit Suisse First Boston LLC, to be resold into the public market pursuant to Rule 144 (or, in the case of one executive officer, pursuant to a registration right) under the Securities Act of 1933. If these shareholders sell a large number of these shares, the market price of our common stock could decline.

After this offering, First Reserve will hold 9,221,790 shares of our common stock and WEDGE Engineering will own 2,000,000 shares. Following the expiration of their 90-day lock-up agreements, First Reserve under its current shareholder agreement and WEDGE Engineering under its former shareholder agreement each have certain rights to require us to register these shares of common stock under the Securities Act of 1933 to permit the public sale of such shares, as well as the ability to resell such shares into the public market pursuant to Rule 144. See

Principal and Selling Shareholders' Shareholder Agreements. Significant sales of such shares, or the prospect of such sales, may depress the price of our shares.

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***We Have a Risk of Being Classified as a Controlled Foreign Corporation and Certain Shareholders Who Do Not Beneficially Own Shares May Lose the Benefit of Withholding Tax Reduction or Exemption Under Dutch Legislation.***

As a company incorporated in The Netherlands, we would be classified as a controlled foreign corporation for United States federal income tax purposes if any United States person acquires 10% or more of our common stock (including ownership through the attribution rules of Section 958 of the Internal Revenue Code of 1986, as amended (the Code), each such person, a U.S. 10% Shareholder) and the sum of the percentage ownership by all U.S. 10% Shareholders exceeds 50% (by voting power or value) of our common stock. We do not believe we are a controlled foreign corporation. However, we may be determined to be a controlled foreign corporation in the future. In the event that such a determination were made, all U.S. 10% Shareholders would be subject to taxation under Subpart F of the Code. The ultimate consequences of this determination are fact-specific to each U.S. 10% Shareholder, but could include possible taxation of such U.S. 10% Shareholder on a pro rata portion of our income, even in the absence of any distribution of such income.

Under the double taxation convention in effect between The Netherlands and the United States (the Treaty), dividends paid by Chicago Bridge & Iron Company N.V. (CB&I N.V.) to a resident of the United States (other than an exempt organization or exempt pension organization) are generally eligible for a reduction of the 25% Netherlands withholding tax to 15%, or in the case of certain U.S. corporate shareholders owning at least 10% of the voting power of CB&I N.V., 5%, unless the common shares held by such resident are attributable to a business or part of a business that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands. Dividends received by exempt pension organizations and exempt organizations, as defined in the Treaty, are completely exempt from the withholding tax. A holder of common shares other than an individual will not be eligible for the benefits of the Treaty if such holder of common shares does not satisfy one or more of the tests set forth in the limitation on benefits provisions of Article 26 of the Treaty. According to an anti-dividend stripping provision, no exemption from, reduction of, or refund of, Netherlands withholding tax will be granted if the ultimate recipient of a dividend paid by CB&I N.V. is not considered to be the beneficial owner of such dividend. See Taxation Dutch Taxation for Non-Resident Shareholders Withholding Tax.

***If We Need to Sell or Issue Additional Shares of Common Stock and/or Incur Additional Debt to Finance Future Acquisitions, Your Stock Ownership Could be Diluted.***

Part of our business strategy is to expand into new markets and enhance our position in existing markets throughout the world through acquisition of complementary businesses. In order to successfully complete targeted acquisitions or fund our other activities, we may issue additional equity securities that could be dilutive to our earnings per share and to your stock ownership. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in additional goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

**FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated in this prospectus by reference contain forward-looking statements. You should read carefully any statements containing the words expect, believe, anticipate, project, estimate, predict, intend, should, could, may, expressions or the negative of any of these terms.

Forward-looking statements involve known and unknown risks and uncertainties. Various factors, such as those listed under Risk Factors, may cause our actual results, performance or achievements to be

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materially different from those expressed or implied by any forward-looking statements. Among the factors that could cause our results to differ are the following:

our ability to realize cost savings from our expected execution performance of contracts;

the uncertain timing and the funding of new contract awards, and project cancellations and operations risks;

the expected growth in our primary end markets does not occur;

cost overruns on fixed price contracts, and risks associated with percentage of completion accounting;

increased competition;

lack of necessary liquidity to finance expenditures prior to the receipt of payment for the performance of contracts and to provide bid and performance bonds and letters of credit securing our obligations under our bids and contracts;

risks inherent in our acquisition strategy and our ability to obtain financing for proposed acquisitions;

adverse outcomes of pending claims or litigation or the possibility of new claims or litigation;

proposed revisions to U.S. tax laws that seek to increase income taxes payable by certain international companies;

a continued downturn in the economy in general; and

disruptions caused by possible war in the Middle East or terrorist attacks in the United States or other countries in which we operate.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future performance or results. We are not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should consider these risks when reading any forward-looking statements.

**Table of Contents****USE OF PROCEEDS**

All of the shares of common stock offered by this prospectus are being offered by the selling shareholders. We will not receive any of the proceeds from the shares sold by the selling shareholders. We are obligated to pay \$400,000 of fees and expenses incident to the registration of this offering by the selling shareholders, except for (i) any sales commissions or discounts, (ii) any applicable transfer taxes and (iii) fees and disbursements of counsel to any of the selling shareholders.

**PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY**

Our common stock is listed on The New York Stock Exchange ( NYSE ) under the symbol CBI. The following table sets forth the high and low reported sales prices of the common stock on the NYSE Composite Tape for the stated calendar quarters (as retroactively adjusted to reflect the two-for-one stock split that was effective with trading on the NYSE as of February 11, 2003).

	<u>High</u>	<u>Low</u>	<u>Dividends Per Share</u>
Year Ended December 31, 2001			
First Quarter	\$ 13.68	\$ 8.38	\$0.03
Second Quarter	19.38	11.85	0.03
Third Quarter	17.41	9.53	0.03
Fourth Quarter	13.35	9.80	0.03
Year Ending December 31, 2002			
First Quarter	\$ 14.92	\$ 12.20	\$0.03
Second Quarter	16.50	12.93	0.03
Third Quarter	15.00	11.57	0.03
Fourth Quarter	15.12	11.58	0.03
Year Ending December 31, 2003			
First Quarter (through March 19, 2003)	\$ 17.55	\$ 14.25	\$0.04

On March 19, 2003, the last selling price of the common stock as reported on the NYSE was \$17.49 per share.

Pursuant to our Articles of Association, the Management Board, with the approval of the Supervisory Board, may establish reserves out of our annual profits. The portion of our annual profits that remains after the establishment of reserves is at the disposal of the general meeting of shareholders. Out of our share premium reserve and other reserves available for shareholder distributions under the law of The Netherlands, the general meeting of shareholders may declare distributions upon the proposal of the Management Board (after approval by the Supervisory Board). We may not pay dividends or distributions if the payment would reduce shareholders' equity below the aggregate par value of the common shares outstanding, plus the reserves required to be maintained by statute and by our Articles of Association. Although under Dutch law dividends are generally paid annually, the Management Board, with the approval of the Supervisory Board, may, subject to certain statutory provisions, distribute one or more interim dividends or other interim distributions before the accounts for any year have been approved and adopted at a general meeting of shareholders in anticipation of the final dividend or final distribution. Rights to cash dividends and distributions that have not been collected within five years after the date on which they became due and payable shall revert to the Company.

We have declared and paid in the past, and currently intend to declare and pay, regular quarterly cash dividends or distributions; however, there can be no assurance that any such dividends or distributions will be declared or paid. The payment of dividends or distributions in the future will be subject to the discretion of our shareholders (in the case of annual dividends), the Management Board and Supervisory Board and will depend upon general business conditions, legal restrictions on the payment of dividends or

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distributions and other factors, including compliance with covenants in our revolving credit agreement and the agreements for our unsecured senior notes which establish minimum fixed charge coverage ratio and minimum net worth requirements that may restrict our ability to pay dividends or distributions. We cannot assure you that cash dividends or distributions will be paid in the future, or that, if paid, the dividends or distributions will be at the same amount or frequency as paid in the past.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated capitalization as of December 31, 2002. The table should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	<b>As of December 31, 2002(1)</b>
	<b>(In thousands)</b>
<b>Cash:</b>	\$ 102,536
<b>Debt:</b>	
Senior notes	\$ 75,000
Revolving credit agreement	
Short-term debt	14
	<hr/>
Total debt	\$ 75,014
<b>Shareholders' equity:</b>	
Common stock, Euro 0.01 par value; authorized: 80,000,000, issued: 44,565,172 and outstanding: 44,325,744(2)	\$ 210
Additional paid-in capital	245,916
Retained earnings	68,064
Stock held in trust(3)	(12,332)
Treasury stock, at cost: 239,428 shares	(2,836)
Accumulated other comprehensive loss	(16,875)
	<hr/>
Total shareholders' equity	282,147
	<hr/>
<b>Total capitalization</b>	<b>\$357,161</b>
	<hr/>

- (1) The table has not been adjusted to reflect registration expenses of \$400,000 payable by us in connection with the offering.
- (2) Excludes 7,698,644 shares of common stock reserved for issuance pursuant to our employee compensation and stock plans, including, as of December 31, 2002, outstanding options for the purchase of 4,639,338 shares.
- (3) See Note 14 to our Consolidated Financial Statements included elsewhere in this prospectus.



**Table of Contents****SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

We derived the following summary financial and operating data for the five years ended December 31, 1998 through 2002 from our audited consolidated financial statements. You should read this information together with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the related notes, appearing elsewhere or incorporated by reference into this prospectus.

	Year Ended December 31,				
	2002	2001	2000	1999	1998
(In thousands, except share and employee data)					
<b>INCOME STATEMENT DATA</b>					
Revenues	\$ 1,148,478	\$ 1,081,824	\$ 611,691	\$ 674,386	\$ 775,692
Cost of revenues	992,927	945,048	542,721	596,695	703,351
Gross profit	155,551	136,776	68,970	77,691	72,341
Selling and administrative expenses	73,155	67,519	41,913	48,997	46,471
Intangibles amortization	2,529	5,819	599	514	500
Other operating income, net(1)	(1,818)	(691)	(2,401)	(2,788)	(991)
Special charges(2)	3,972	9,686	55,664		
Income (loss) from operations	77,713	54,443	(26,805)	30,968	26,361
Interest expense	(7,114)	(8,392)	(5,187)	(2,980)	(3,488)
Interest income	1,595	1,854	430	766	1,616
Income (loss) before taxes and minority interest	72,194	47,905	(31,562)	28,754	24,489
Income tax (expense) benefit	(20,233)	(13,480)	4,859	(8,061)	(7,347)
Income (loss) before minority interest	51,961	34,425	(26,703)	20,693	17,142
Minority interest in (income) loss	(1,812)	(2,503)	(1,341)	(1,171)	(105)
Income (loss) from continuing Operations	50,149	31,922	(28,044)	19,522	17,037
Discontinued operations(3):					
Loss from discontinued operations, net of taxes		(2,321)	(5,731)	(1,138)	
Loss on disposal of discontinued operations, net of taxes		(9,898)			
Net income (loss)(4)(5)	\$ 50,149	\$ 19,703	\$ (33,775)	\$ 18,384	\$ 17,037
<b>PER SHARE DATA(2)(4)(5)</b>					
Net income (loss) basic					
Income (loss) from continuing operations	\$ 1.16	\$ 0.74	\$ (1.49)	\$ 0.89	\$ 0.70
Loss from discontinued operations		(0.28)	(0.31)	(0.05)	
Net income (loss)	\$ 1.16	\$ 0.46	\$ (1.80)	\$ 0.84	\$ 0.70

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Net income (loss) diluted

Income (loss) from continuing operations	\$ 1.12	\$ 0.71	\$ (1.49)	\$ 0.87	\$ 0.70
Loss from discontinued operations		(0.27)	(0.31)	(0.05)	
Net income (loss)	\$ 1.12	\$ 0.44	\$ (1.80)	\$ 0.82	\$ 0.70
Dividends	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12

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	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>(In thousands, except share and employee data)</b>					
<b>BALANCE SHEET DATA</b>					
Goodwill	\$ 157,903	\$ 138,444	\$ 132,426	\$ 18,010	\$ 18,051
Total assets	740,436	648,265	538,415	336,773	348,709
Long-term debt	75,000	75,000	101,800	25,000	5,000
Total shareholders' equity	282,147	212,223	155,747	104,410	101,656
<b>CASH FLOW DATA</b>					
Cash flows from operating activities	\$ 72,030	\$ 105,796	\$ 4,085	\$ 22,461	\$ 50,824
Cash flows from investing activities	(36,957)	(35,775)	(65,567)	(8,911)	(2,142)
Cash flows from financing activities	16,985	(27,034)	50,618	(779)	(53,286)
<b>OTHER FINANCIAL DATA</b>					
Gross profit percentage	13.5%	12.6%	11.3%	11.5%	9.3%
Capital expenditures	\$ 23,927	\$ 8,917	\$ 6,353	\$ 13,379	\$ 12,249
<b>OTHER DATA</b>					
Number of employees:					
Salaried	2,152	2,054	1,676	1,371	1,525
Hourly and craft	4,770	5,204	3,618	4,257	4,928
New business taken(6)	\$ 1,641,128	\$ 1,160,374	\$ 680,776	\$ 712,973	\$ 760,989
Backlog(6)	1,310,987	835,255	597,350	507,472	507,783

- (1) Other operating income, net generally represents gains on the sale of property, plant and equipment.
- (2) In 2002, we recognized special charges of \$4.0 million. Included in the 2002 special charges were \$3.4 million for personnel costs, including severance and personal moving expenses associated with the relocation of our administrative offices; \$0.5 million for integration costs related to integration initiatives associated with the PDM Divisions acquisition; and \$0.4 million for facilities costs relating to the closure and relocation of facilities. During 2002, we also recorded income of \$0.4 million in relation to adjustments associated with the sale of our XL Technology Systems, Inc. subsidiary. In 2001, we recognized special charges of \$9.7 million. Included in the 2001 special charges were \$5.7 million for personnel costs, including severance and personal moving expenses associated with the relocation, closure or downsizing of offices and our voluntary resignation offer; \$2.8 million for facilities and other charges related to the sale, closure, downsizing or relocation of operations; and \$1.2 million for integration costs primarily related to integration initiatives associated with the PDM Divisions acquisition. In 2000, we recognized special charges of \$55.7 million. Included in the 2000 special charges were \$22.2 million for payments associated with our voluntary resignation offer, severance and other benefits-related costs; \$5.3 million in facilities-related expenses; and a \$28.2 million non-cash valuation allowance against a net long-term receivable for the Indonesian Tuban (T.P.P.I.) Project. See Note 4 to our Consolidated Financial Statements for additional details on special charges.
- (3) During the second quarter of 2001, we decided to discontinue our high purity piping business, UltraPure Systems, due primarily to continuing weak market conditions in the microelectronics industry. The loss on disposal of discontinued operations of \$9.9 million after-tax includes the write-down of equipment (net of proceeds), lease terminations, severance and other costs, and losses during the phase-out period. As a result of this operation being classified as discontinued, prior periods have been previously restated. Our actions necessary to discontinue UltraPure Systems were essentially complete at December 31, 2001.

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- (4) On January 22, 2003, we declared a two-for-one stock split effective in the form of a stock dividend payable February 10, 2003 to shareholders of record at the close of business on February 3, 2003. All share numbers and amounts have been adjusted for the stock split for all periods presented.
- (5) We changed our method of accounting for goodwill upon adoption of SFAS No. 142 on January 1, 2002. See Note 7 to our Consolidated Financial Statements.
- (6) New business taken represents the value of new project commitments received by us during a given period. Such commitments are included in backlog until work is performed and revenue recognized or until cancellation. Backlog may also fluctuate with currency movements.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

**Overview**

The following Management Discussion and Analysis of Financial Condition and Results of Operations is provided to assist readers in understanding our financial performance during the periods presented and significant trends which may impact our future performance. This discussion should be read in conjunction with our Consolidated Financial Statements and the related notes thereto included elsewhere in this prospectus.

We are a global specialty engineering, procurement and construction (EPC) company serving customers in several primary end markets, including hydrocarbon refining, natural gas, water and the energy sector in general. We have been helping our customers store and process the earth's natural resources for more than 100 years by supplying a comprehensive range of engineered steel structures and systems. We offer a complete package of design, engineering, fabrication, procurement, construction and maintenance services. Our projects include hydrocarbon processing plants, LNG terminals and peak shaving plants, bulk liquid terminals, water storage and treatment facilities, and other steel structures and their associated systems. We have been continuously engaged in the engineering and construction industry since our founding in 1889. Our Howe-Baker subsidiary, organized in 1947 and acquired by us in 2000, is a global technology company specializing in the engineering and construction of hydrocarbon processing plants for customers in the hydrocarbon refining, petrochemical and natural gas industries.

**Results of Operations**

The following table sets forth, for the periods indicated, the percentages of our revenues that certain income and expense items represent:

	Year Ended December 31,	
	2002	2001
Revenues	100.0%	100.0%
Cost of revenues	86.5	87.4
Gross profit	13.5	12.6
Selling and administrative expenses	6.4	6.2
Intangibles amortization	0.2	0.5
Other operating income, net	(0.2)	
Special charges	0.3	0.9
Income from operations	6.8	5.0
Interest expense	(0.6)	(0.8)
Interest income	0.1	0.2
Income before income taxes and minority interest	6.3	4.4
Income tax (expense) benefit	(1.8)	(1.2)
Income before minority interest	4.5	3.2
Minority interest in income	(0.1)	(0.2)
Income from continuing operations	4.4	3.0

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Our new business taken, revenues and income from operations (excluding and including special charges) in the following geographic regions are as follows:

	Year Ended December 31,			
	2002		2001	
	In Millions	%	In Millions	%
<b>New Business Taken*</b>				
North America	\$ 1,014.4	62%	\$ 818.5	70%
Europe, Africa and Middle East	375.9	23	87.7	8
Asia Pacific	139.9	8	105.8	9
Central and South America	110.9	7	148.4	13
Total	\$ 1,641.1	100%	\$ 1,160.4	100%
<b>Revenues</b>				
North America	\$ 801.6	70%	\$ 726.6	67%
Europe, Africa and Middle East	132.9	12	124.2	11
Asia Pacific	95.9	8	39.9	4
Central and South America	118.1	10	191.1	18
Total	\$ 1,148.5	100%	\$ 1,081.8	100%
<b>Income (Loss) From Operations</b>				
North America	\$ 49.4	63%	\$ 36.2	66%
Europe, Africa and Middle East	3.0	4	(.3)	
Asia Pacific	2.0	3	(.5)	(1)
Central and South America	23.3	30	19.0	35
Total	\$ 77.7	100%	\$ 54.4	100%

\* New business taken represents the value of new project commitments received during a given period. Such commitments are included in backlog until work is performed and revenue is recognized or until cancellation.

**2002 Versus 2001**

*New Business Taken/ Backlog.* New business taken during 2002 was \$1.6 billion compared with \$1.2 billion in 2001. Over 60% of the new business taken during 2002 was for contracts awarded in North America. During 2002, new business taken increased 24% in the North America segment due primarily to increased awards of EPC contracts for the hydrocarbon processing industries. Significant awards included a \$109 million contract to design and build a continuous catalytic regeneration Platformer™ in New Jersey and two other projects in the United States, each in excess of \$50 million, one for a hydrogen plant and gasoline desulfurization unit and another for a hydrotreater. New business taken for the Europe, Africa, Middle East segment increased 328% during 2002 and included significant awards of a \$105 million gas/oil separation plant in Saudi Arabia and an \$89 million LNG expansion project in Nigeria. New business taken in the Asia Pacific segment increased 32% compared with 2001 and included the award of a hydrotreater project in Australia and a refrigerated petrochemical storage facility in China. New business taken in the Central and South America segment decreased 25% during 2002 as a result of negative political and economic conditions in certain Latin American markets, principally Venezuela. The majority of 2002 new awards were for projects in the Caribbean region.

Backlog increased \$475.7 million, or 57%, to \$1.3 billion at December 31, 2002.

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*Revenues.* Revenues in 2002 of \$1.1 billion rose 6% compared with 2001. Our revenues fluctuate based on the changing project mix and are dependent on the amount and timing of new awards, and on

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other matters such as project schedules. During 2002, revenues increased 10% in the North America segment, 7% in the Europe, Africa, Middle East segment, 140% in the Asia Pacific segment, but declined 38% in the Central and South America segment. The increase in North America compared with 2001 was due primarily to higher levels of EPC projects for the hydrocarbon processing industries. These process-related revenues rose 52%, as backlog carried over from 2001 was put in place and strong new business continued in 2002. Revenue growth in the Asia Pacific segment resulted from large projects beginning in Australia, while Central and South America's decrease resulted from several large projects in Venezuela and the Caribbean nearing completion.

*Gross Profit.* Gross profit in 2002 was \$155.6 million, or 13.5% of revenues, compared with \$136.8 million, or 12.6% of revenues in 2001, reflecting continued strong project execution, the growing mix of higher margin process-related EPC work and stringent cost control.

*Selling and Administrative Expenses.* Selling and administrative expenses were \$73.2 million, or 6.4% of revenues in 2002 compared with \$67.5 million, or 6.2% of revenues in 2001. The increase compared with 2001 relates primarily to the impact of acquired operations and higher insurance costs.

*Special Charges.* Special charges for 2002 were \$4.0 million as compared to \$9.7 million in 2001. During 2002, we recorded special charges of \$3.4 million related to the relocation of our Plainfield, Illinois office personnel to The Woodlands, Texas. As many of our multinational customers in the hydrocarbon industry maintain their U.S. headquarters or a significant presence in the Houston area, we believe the move will enhance our ability to maintain and expand existing customer relationships and build new ones. Additionally, we also recorded \$0.4 million relating to the closure and relocation of facilities and \$0.5 million for integration activities associated with the acquisition of the PDM Divisions. During 2002, we also recorded income of \$0.4 million in relation to adjustments associated with the sale of our XL Technology Systems, Inc. subsidiary. During 2001, we recorded special charges of \$5.7 million for personnel costs related to the relocation of our administrative office, including costs of senior executives who elected not to relocate, as well as moving-related (which were expensed as incurred) and severance expenses, and our voluntary resignation offer; \$2.8 million for facilities and other charges, including charges related to the sale, closure, downsizing or relocation of operations; and \$1.2 million for integration costs, primarily related to integration initiatives associated with the PDM Divisions acquisition. In accordance with Emerging Issues Task Force (EITF) 94-3, moving, replacement personnel and integration costs have been expensed as incurred. For a further discussion of the special charges, see Note 4 to our Consolidated Financial Statements.

*Income (Loss) From Operations.* Income from operations in 2002 was \$77.7 million, representing a \$23.3 million increase compared with 2001. The North America segment benefited from a project mix that included increased levels of higher margin EPC work. Storage-related work declined in North America from 2001, but the shortfall was more than offset by improvements in project execution and control of overhead and administrative expenses. Higher volumes in the Europe, Africa, Middle East segment, combined with continued cost control and excellent execution, enabled the region to post improved operating income. The Asia Pacific segment improved compared with the prior year, due principally to significantly higher volumes in Australia. Despite lower new awards and revenues, the Central and South America segment reported higher operating income due to the existing backlog of work and favorable project execution, resulting in project cost savings. Our adoption of Statement of Financial Accounting Standard No. 142 Goodwill and Other Intangible Assets as of January 1, 2002 resulted in the elimination of goodwill and other indefinite lived intangible assets amortization, which, in comparison with 2001, benefited 2002 income from operations by \$3.6 million.

*Interest Expense and Interest Income.* Interest expense decreased \$1.3 million from the prior year to \$7.1 million for 2002, due to lower average debt levels in 2002. Interest income decreased \$0.3 million from 2001 to \$1.6 million in 2002, attributable to lower interest on our long-term receivable during 2002.

*Income Tax (Expense) Benefit.* Income tax expense was \$20.2 million and \$13.5 million in 2002 and 2001, respectively. The effective tax rates for 2002 and 2001 were 28.0% and 28.1%, respectively.



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*Net Income.* Net income for 2002 was \$50.1 million, or \$1.12 per diluted share, compared with \$19.7 million, or \$0.44 per diluted share in 2001.

***2001 Versus 2000***

*New Business Taken/ Backlog.* New business taken during 2001 was \$1.2 billion compared with \$680.8 million in 2000. Over 70% of the new business taken during 2001 was for contracts awarded in North America. During 2001, new business taken increased 113% in the North America segment primarily due to the acquisitions of Howe-Baker and the PDM Divisions and included the following significant awards: a cryogenic storage tank for an LNG import terminal in the United States, an award for a gas-to-liquids processing facility, a clean fuels revamp project valued in excess of \$40 million, a refinery relocation project, an oil sands project in Canada valued in excess of \$40 million, a contract for the erection of heat recovery steam generators for an electric utility in the U.S. Northeast and a hydrogen plant in the U.S. Northwest. New business in the Asia Pacific segment increased 85% during 2001 and included awards for an LNG expansion project in Australia valued at \$65 million and piping and mechanical work for an LNG expansion project in Malaysia. New business in the Europe, Africa, Middle East segment increased 6% during 2001. New business in the Central and South America segment decreased 5% during 2001 (after increasing more than 200% during 2000 compared with 1999) and included awards for a heavy oil tankage project in Venezuela and a cryogenic natural gas plant in Peru.

Backlog at December 31, 2001 was \$835.3 million compared with backlog at December 31, 2000 of \$597.4 million (including backlog of \$125.1 million from the Howe-Baker acquisition). Including the backlog acquired from the acquisition of the PDM Divisions in February 2001, backlog would have increased to approximately \$741.5 million at December 31, 2000 on a pro forma basis.

*Revenues.* Revenues were \$1.1 billion in 2001 compared with \$611.7 million in 2000. The increase in revenues was due primarily to the additional revenue stream generated by the acquisitions of Howe-Baker and the PDM Divisions. During 2001, revenues increased 154% in the Central and South America segment and 139% in the North America segment, but declined 30% in the Europe, Africa, Middle East segment and 28% in the Asia Pacific segment. The increase in revenues in the North America and Central and South America segments was due to the acquired businesses and to the significant amount of work put in place in the Caribbean and Venezuela.

*Gross Profit.* Gross profit increased \$67.8 million to \$136.8 million in 2001 from \$69.0 million in 2000. Gross profit as a percentage of revenues was 12.6% in 2001 and 11.3% in 2000 reflecting the significant cost savings achieved from the PDM Divisions integration, the inclusion of higher margin business from Howe-Baker and continued strong project execution.

*Selling and Administrative Expenses.* Selling and administrative expenses were \$67.5 million, or 6.2% of revenues, in 2001 compared with \$41.9 million, or 6.9% of revenues, in 2000. The 2001 selling and administrative expenses increased due to the acquisitions and a \$4.9 million increase in performance-based and variable pay compared with 2000.

*Special Charges.* Special charges for 2001 were \$9.7 million. During 2001, we recorded special charges of \$5.7 million for personnel costs related to the relocation of our administrative office to The Woodlands, Texas, including costs of senior executives who elected not to relocate, as well as moving-related (which are expensed as incurred) and severance expenses, and our voluntary resignation offer; \$2.8 million for facilities and other charges, including charges related to the sale, closure, downsizing or relocation of operations; and \$1.2 million for integration costs, primarily related to integration initiatives associated with the PDM Divisions acquisition.

*Income (Loss) From Operations.* Income from operations was \$54.4 million in 2001 compared with a \$26.8 million loss in 2000. The North America segment results benefited from the inclusion of Howe-Baker and the PDM Divisions, lower than anticipated integration costs and good results from our Industrial, Water and union construction operations in the U.S. and Canada. Despite very low volumes in the Europe, Africa, Middle East segment, focused cost control and excellent execution enabled the area to

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post modest operating income. Excluding poor economic performance in Australia, the Asia Pacific segment was profitable. The Central and South America segment benefited from several large contracts currently in the field in the Caribbean and Venezuela. We have experienced no material impact from the economic crisis in Argentina. The 2000 results included the recognition of \$3.1 million of income related to a favorable trial court decision from a claim against certain of our insurers to recover legal fees expended in an environmental litigation. Intangibles amortization increased to \$5.8 million in 2001 compared with \$0.6 million in 2000 primarily due to increased goodwill and other intangibles amortization related to the acquisitions of Howe-Baker and the PDM Divisions.

*Interest Expense and Interest Income.* Interest expense increased \$3.2 million to \$8.4 million in 2001 from \$5.2 million in 2000. The increase was mostly due to higher average debt levels in 2001. Interest income consisting primarily of interest related to Howe-Baker's acquisition of Schedule A, Ltd. (see Note 12 to our Consolidated Financial Statements) and interest earned on cash balances increased to \$1.9 million in 2001 compared with \$0.4 million in 2000. Net interest expense increased \$1.7 million to \$6.5 million in 2001 compared with \$4.8 million in 2000.

*Income Tax (Expense) Benefit.* We recorded income tax expense of \$13.5 million in 2001 compared with a \$4.9 million income tax benefit in 2000.

*Loss From Discontinued Operations.* During the second quarter of 2001, we decided to discontinue our high purity piping business, UltraPure Systems, due primarily to continuing weak market conditions in the microelectronics industry. The loss from discontinued operations for the year 2001 was \$2.3 million, net of taxes, compared with a loss from discontinued operations of \$5.7 million, net of taxes, for 2000. The loss on disposal of discontinued operations for 2001 was \$9.9 million, net of taxes. Our actions necessary to discontinue UltraPure Systems were essentially complete at December 31, 2001.

*Net Income.* Net income for 2001 was \$19.7 million, or \$0.44 per diluted share, compared with a net loss of \$33.8 million, or \$1.80 per diluted share, for 2000.

## **Liquidity and Capital Resources**

At December 31, 2002, cash and cash equivalents equaled \$102.5 million. During 2002, our operations generated \$72.0 million of cash flows, attributable to strong profitability and a decrease in working capital. Working capital varies from year to year and is primarily affected by the mix, stage of completion and commercial terms of contracts.

In 2002, we expended \$23.9 million for capital expenditures, which included \$11.6 million for the initial land acquisition and development costs of our new administrative office in Texas. Additionally, we reported proceeds of \$4.6 million related to the sale of property and equipment. Our utilization of cash also included \$17.6 million relative to business acquisitions, inclusive of a payment for contingent earnout obligations associated with the Howe-Baker acquisition, payments for legal fees associated with the FTC proceeding, as well as a payment for the purchase of TPA, Inc. We continue to evaluate and selectively pursue opportunities for expansion of our business through acquisition of complementary businesses. These acquisitions, if they arise, may involve the use of cash or, depending upon the size and terms of the acquisition, may require debt or equity financing.

Cash flows from financing activities were \$17.0 million, which included \$25.2 million of net proceeds generated from a public offering of our common stock on July 1, 2002. The offering of just over six million shares consisted of 4.2 million secondary shares sold on behalf of a shareholder, WEDGE Engineering, for which we received no proceeds, and 2.01 million primary shares. Cash utilized for financing activities included \$5.8 million to settle short-term notes and \$5.2 million for cash dividends. In January 2003, we announced a two-for-one stock split in the form of a stock dividend, as well as a 33% increase in our annual dividend from \$0.12 to \$0.16 per share.

Our primary internal source of liquidity is cash flow generated from operations; however, capacity under revolving credit agreements is also available, if necessary, to fund operating or investing activities. We have a four-year \$125 million revolving credit facility and a 364-day \$50 million revolving credit

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facility which terminate in August 2006 and August 2003, respectively. Both facilities are committed and unsecured. As of year-end, no direct borrowings existed under either facility, but we had issued \$67.6 million of letters of credit under the four-year facility. As of December 31, 2002, we had \$107 million of available capacity under these facilities for future operating or investing needs. For a further discussion of the revolving credit agreements, see Note 9 to our Consolidated Financial Statements.

We also have various short-term, uncommitted revolving credit facilities across several geographic regions of approximately \$193.1 million. These facilities are generally used to provide letters of credit or bank guarantees to customers in the ordinary course of business to support advance payments, as performance guarantees or in lieu of retention on our contracts. At year-end, we had available capacity of \$75.7 million under these uncommitted facilities. In addition to providing letters of credit or bank guarantees, we also issue surety bonds in the ordinary course to support our performance on contracts.

As of December 31, 2002, the following commitments were in place to support our ordinary course obligations:

**Amounts of Commitments by Expiration Period**

	<b>Total</b>	<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>4-5 Years</b>	<b>After 5 Years</b>
	(In thousands)				
Letters of Credit/ Bank Guarantees	\$ 185,005	\$ 70,170	\$ 114,655	\$ 143	\$ 37
Surety Bonds	323,718	281,352	42,356	10	
<b>Total Commitments</b>	<b>\$ 508,723</b>	<b>\$ 351,522</b>	<b>\$ 157,011</b>	<b>\$ 153</b>	<b>\$ 37</b>

*Note:* Includes \$22,268 of letters of credit and surety bonds issued in support of our insurance program.

Contractual obligations at December 31, 2002, are summarized below:

**Payments Due by Period**

	<b>Total</b>	<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>4-5 Years</b>	<b>After 5 Years</b>
Long-Term Debt(1)	\$ 75,000	\$	\$ 25,000	\$ 50,000	\$
Operating Leases	57,619	13,027	16,817	7,701	20,074
Obligations to Former Parent(2)	19,565	3,453	6,445	6,445	3,222
<b>Total Contractual Obligations</b>	<b>\$ 152,184</b>	<b>\$ 16,480</b>	<b>\$ 48,262</b>	<b>\$ 64,146</b>	<b>\$ 23,296</b>

(1) Excludes interest accruing at a rate of 7.34%.

(2) Excludes interest accruing at a rate of 7.50%.

We believe funds generated by operations, amounts available under existing credit facilities and external sources of liquidity, such as the issuance of debt and equity instruments, will be sufficient to finance capital expenditures and working capital needs for the foreseeable future. For 2003, capital expenditures are anticipated to be in the \$30.0 to \$35.0 million range, which includes approximately \$17.0 million for completion of our new administrative office. However, we cannot give assurances that such funding will be available, as our ability to generate cash flows from operations and our ability to access funding under the revolving credit facilities may be impacted by a variety of business, economic, legislative, financial and other factors which may be outside of our control. Additionally, while we currently have a significant, uncommitted bonding facility, primarily to support various commercial provisions in our engineering and construction contracts, a termination or reduction of the bonding facility could result in the utilization of letters of credit in lieu of performance bonds, thereby reducing our available capacity under the revolving credit facilities. Although we do not anticipate a reduction or termination of the bonding facility, there is no

guarantee that such a facility will be available at reasonable

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terms to service our ordinary course obligations. For a further discussion of letters of credit and surety bonds, see Note 13 to our Consolidated Financial Statements.

### **Off-Balance Sheet Arrangements**

We use operating leases for facilities and equipment when they make economic sense. In 2001, we entered into a sale (for approximately \$14.0 million) and leaseback transaction of our Plainfield, Illinois administrative office with a lease term of 20 years. The leaseback structure is not subject to consolidation and the future payments are accounted for as an operating lease. Rentals under this and all other lease commitments are reflected in rental expense and future rental commitments as summarized in Note 13 to our Consolidated Financial Statements.

We have no other off-balance sheet arrangements.

### **Quantitative and Qualitative Disclosure About Market Risk**

We are exposed to market risk from changes in foreign currency exchange rates, which may adversely affect our results of operations and financial condition. We seek to minimize the risks from these foreign currency exchange rate fluctuations through our regular operating and financing activities and, when deemed appropriate, through our limited use of foreign currency forward contracts. Our exposure to changes in foreign currency exchange rates arises from receivables, payables and firm commitments from international transactions, as well as intercompany loans utilized to finance non-U.S. subsidiaries. We do not use financial instruments for trading or speculative purposes.

The carrying value of our cash and cash equivalents, accounts receivable, accounts payable, notes payable and forward contracts approximates their fair values because of the short-term nature of these instruments. At December 31, 2002 and 2001, the fair value of our fixed rate long-term debt was \$80.7 million and \$76.7 million, respectively, based on current market rates for debt with similar credit risk and maturities. See Note 10 to our Consolidated Financial Statements for quantification of our financial instruments.

### **New Accounting Standards**

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards ( SFAS ) No. 141 Business Combinations ( SFAS 141 ) and SFAS No. 142 Goodwill and Other Intangible Assets ( SFAS 142 ). These pronouncements changed the accounting for business combinations, goodwill and intangible assets. SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations and further clarifies the criteria to recognize intangible assets separately from goodwill. The requirements of SFAS 141 are effective for any business combination accounted for by the purchase method that was completed after June 30, 2001. SFAS 142 states goodwill and indefinite-lived intangible assets are no longer amortized to earnings but instead are reviewed for impairment at least annually. The amortization of existing goodwill and indefinite-lived intangible assets at June 30, 2001 has ceased at January 1, 2002. Goodwill on acquisitions completed subsequent to June 30, 2001 is not amortized. Our adoption of SFAS No. 142 resulted in no goodwill and indefinite-lived intangibles amortization in 2002 compared with \$4.2 million in 2001. In connection with the adoption of these statements during the first quarter of 2002, we completed our goodwill impairment assessment and concluded that no transitional impairment charge was necessary. Also, as of September 30, 2002, we completed our annual impairment assessment and concluded that no impairment charge was necessary.

In August 2001, the FASB issued SFAS No. 143 Accounting for Asset Retirement Obligations which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated assets retirement costs. The new standard was effective January 1, 2003, and is not anticipated to have a significant impact on our financial condition or results of operations.

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In August 2001, the FASB issued SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*. This statement addresses financial accounting and reporting for the impairment and/or disposal of long-lived assets. We adopted this statement effective January 1, 2002, and determined that it did not have a significant impact on our financial statements as of that date.

In April 2002, the FASB issued SFAS No. 145 *Rescission of SFAS Statements No. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections*. The purpose of this statement is to update, clarify and simplify existing accounting standards. We adopted this statement effective April 1, 2002, and determined that it did not have a significant impact on our financial statements.

In July 2002, the FASB issued SFAS No. 146 *Accounting for Costs Associated with Exit or Disposal Activities*. This standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. Previous accounting guidance was provided by EITF Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. SFAS No. 146 replaces Issue 94-3. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. This statement is effective for our fiscal year beginning January 1, 2003.

In December 2002, the FASB issued SFAS No. 148 *Accounting for Stock-Based Compensation Transition and Disclosure*, which amends SFAS No. 123 *Accounting for Stock-Based Compensation*. This standard permits two additional transition methods for entities that adopt the fair-value-based method of accounting for stock-based employee compensation and amends the disclosure requirements in both annual and interim financial statements. We will continue to apply Accounting Principles Board (APB) Opinion No. 25 *Accounting for Stock Issued to Employees* and related interpretations in accounting for stock options. The amended disclosure requirements of SFAS No. 148 have been incorporated into Note 15 to the Consolidated Financial Statements.

In November 2002, the FASB issued Interpretation No. 45 *Guarantor's Accounting and Disclosure Requirements from Guarantees, Including Indirect Guarantees of Indebtedness of Others*. This interpretation of SFAS No. 5, 57 and 107, and rescission of FASB Interpretation No. 34, elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements in this interpretation are applicable for financial statements of interim or annual periods ending after December 15, 2002. See Note 13 of our Consolidated Financial Statements for the disclosure of guarantor relationships.

## **Critical Accounting Policies**

The discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an on-going basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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We believe that the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

*Revenue Recognition.* We recognize revenues using the percentage-of-completion method. Contract revenues are accrued based generally on the percentage that costs-to-date bear to total estimated costs. We follow the guidance of the Statement of Position 81-1 Accounting for Performance of Construction-Type and Certain Production-Type Contracts for accounting policy relating to our use of the percentage-of-completion method, estimating costs, revenue recognition and claim recognition. The use of estimated cost to complete each contract is a significant variable in the process of determining income earned and is a significant factor in the accounting for contracts. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known. Contract revenue reflects the original contract price adjusted for agreed-upon change orders and estimated minimum recoveries of claims. Although successful, this contracting model has inherent risks. Losses expected to be incurred on contracts in progress are charged to income as soon as such losses are known. A significant portion of our work is performed on a fixed price or lump sum basis. The balance of projects is primarily performed on variations of cost reimbursable and target price approaches. Progress billings in accounts receivable are currently due and exclude retentions until such amounts are due in accordance with contract terms. We have a history of proven success in estimating and bidding lump sum, fixed price contracts. However, due to the various estimates inherent in our contract accounting, actual results could differ from those estimates.

*Credit Extension.* We extend credit to customers and other parties in the normal course of business only after a review of the potential customer's creditworthiness. Additionally, management reviews the commercial terms of all significant contracts before entering into a contractual arrangement. We regularly review outstanding receivables and provide for estimated losses through an allowance for doubtful accounts. In evaluating the level of established reserves, management makes judgments regarding the parties' ability to make required payments, economic events and other factors. As the financial condition of these parties change, circumstances develop or additional information becomes available, adjustments to the allowance for doubtful accounts may be required.

*Estimated Reserves for Insurance Matters.* We maintain insurance coverage for various aspects of our business and operations. However, we retain a portion of anticipated losses through the use of deductibles and self-insured retentions for our exposures related to third-party liability and workers' compensation. Management regularly reviews estimates of reported and unreported claims and provides for losses through insurance reserves. As claims develop and additional information becomes available, adjustments to loss reserves may be required.

*Recoverability of Goodwill.* Effective January 1, 2002, we adopted SFAS No. 142 Goodwill and Other Intangible Assets which states that goodwill and indefinite-lived intangible assets are no longer to be amortized but are to be reviewed annually for impairment. The goodwill impairment analysis required under SFAS No. 142 requires us to allocate goodwill to our reporting units, compare the fair value of each reporting unit with our carrying amount, including goodwill, and then, if necessary, record a goodwill impairment charge in an amount equal to the excess, if any, of the carrying amount of a reporting unit's goodwill over the implied fair value of that goodwill. The primary method that we employ to estimate these fair values is the discounted cash flow method. This methodology is based, to a large extent, on assumptions about future events which may or may not occur as anticipated, and such deviations could have a significant impact on the estimated fair values calculated. These assumptions include, but are not limited to, estimates of future growth rates, discount rates and terminal values of reporting units. See the further discussion in Note 7 to our Consolidated Financial Statements. Our goodwill balance at December 31, 2002 was \$157.9 million.

Our significant accounting policies are more fully discussed in Note 2 to our Consolidated Financial Statements.

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**BUSINESS**

We are a global specialty engineering, procurement and construction (EPC) company serving customers in several primary end markets, including hydrocarbon refining, natural gas, water and the energy sector in general. We have been helping our customers store and process the earth's natural resources for more than 100 years by supplying a comprehensive range of engineered steel structures and systems. We offer a complete package of design, engineering, fabrication, procurement, construction and maintenance services. Our projects include hydrocarbon processing plants, LNG terminals and peak shaving plants, bulk liquid terminals, water storage and treatment facilities, and other steel structures and their associated systems. During 2002, we worked on more than 700 contracts for customers in a variety of industries. Over the last several years, our customers have included:

large U.S., multinational and state-owned oil companies, such as Shell, ExxonMobil, Valero Refining Company, BP, Conoco, Saudi Aramco and PDVSA;

leading EPC companies, such as Fluor, Bechtel, Foster Wheeler, KBR and Technip-Coflexip;

LNG and natural gas producers and distributors, such as Williams Energy Services, Dstrigas and Woodside Energy; and

municipal and private water companies.

We had revenue of approximately \$1.1 billion and income from continuing operations of approximately \$50.1 million in 2002. Our revenue and income from continuing operations increased 6.2% and 57.1%, respectively, between 2001 and 2002. Our backlog was \$1.3 billion at December 31, 2002. We employed approximately 7,000 persons worldwide as of December 31, 2002.

We believe that our principal end markets will continue to experience significant growth over time as global demand for oil, natural gas, energy, power and water increases. The Energy Information Administration (EIA) projects that global energy consumption will increase 60% between 1999 and 2020 primarily as a result of growing demand in developing economies. According to the EIA, natural gas is projected to be the fastest growing primary energy source worldwide, maintaining growth of 3.2% annually from 1999 to 2020 due principally to demand for electricity generation. We are tracking more than 30 LNG opportunities worldwide with combined potential revenue to the winning bidders in excess of \$2.5 billion for the period between 2003 and 2005. In addition, global implementation of clean fuel and water standards is expected to drive additional infrastructure investment.

We believe that our comprehensive global EPC capabilities and our broad range of services position us to capitalize on the expected growth in our primary end markets. Our acquisitions of Howe-Baker and the PDM Divisions have significantly enhanced our services. We are able to manage the entire scope of large-scale process plant design and installation projects in addition to turnkey storage facilities. Coupled with our demonstrated history of superior project execution and project risk management, we believe that our expanded capabilities will provide us with the opportunity for future revenue growth.

**Competitive Strengths**

We believe that our core competencies enable us to deliver to our customers the best overall combination of experience, reliability, quality and performance which produces a lower-risk, higher value equation for our customers. These core competencies, which we believe are significant competitive strengths, include:

*Worldwide Record of Excellence.* We have established a record as a leader in the international engineering and construction industry by providing consistently superior project performance for more than 113 years. The addition of Howe-Baker and the PDM Divisions to our family has further enhanced our capabilities for excellence in project design and execution.

*Fully-Integrated Specialty EPC Provider.* We are one of a very few global EPC providers that can deliver a project from conception to commissioning, including conceptual design, detail



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engineering, procurement, fabrication, field erection, mechanical installation, start-up assistance and operator training. We generally engineer what we build and build what we engineer, which allows us to provide our customers with innovative engineering solutions, aggressive schedules and work plans, and optimal quality and reliability.

*Global Execution Capabilities.* With a global network of some 35 sales and operations offices and established labor and supplier relationships, we have the ability to rapidly mobilize people, materials and equipment to execute projects in locations ranging from highly industrialized countries to some of the world's most remote regions. We completed nearly 700 projects in approximately 40 different countries in 2002. Our global reach makes us an attractive partner for large, global energy and industrial companies with geographically dispersed operations and also allows us to allocate our internal resources to geographies and industries with the greatest current demand. At the same time, because of our long-standing presence in numerous markets around the world, we have a prominent position as a local contractor in those markets.

*History of Innovation.* We have established a reputation for technical innovation ever since we introduced the first floating roof tank to the petroleum industry in 1923. We have since maintained a strong culture of developing technological innovations and currently possess approximately 75 active U.S. patents. We develop innovative technologies on behalf of our customers that are immediately applicable to improving hydrocarbon processing, storage technology and field erection procedures. Our acquisition of Howe-Baker has equipped us with well-established technology and proprietary know-how in refinery processes, desalting/dehydration, synthesis gas production and gas-to-liquids processing. Howe-Baker's acquisition of TPA, Inc. in 2002 strengthens our technology and know-how in sulfur removal and recovery processes, an important element for the production of low sulfur transportation fuels.

Our in-house engineering team includes internationally recognized experts in site-erected metal plate structures, pre-stress concrete structures, stress analysis, metallurgy, nondestructive examination, and cryogenic storage and processing. Many of our senior engineers sit on committees that have helped develop worldwide standards for storage structures and process vessels for the petroleum and water industries, including the American Petroleum Institute, American Water Works Association and American Society of Mechanical Engineers.

*Strong Focus on Project Risk Management.* We are experienced in managing the risk associated with bidding on and executing complex projects, including extensive bid review and approval procedures. Our position as a fully-integrated E&C service provider, combined with our experience in risk management, allows us to execute global projects on a competitively bid fixed-price, lump-sum basis by actively controlling project costs. Lump-sum contracting, which is part of the ingrained culture at both CB&I and Howe-Baker, enables us to achieve historically higher returns versus those available from variable cost (cost-plus) contracts and provides significant advantages to the customer in terms of cost and schedule control. In addition, our ability to execute lump-sum contracts provides us with access to a growing segment of the E&C market that is demanding these types of contracts.

*Strong Safety Performance.* Success in our industry depends in part on strong safety performance. Because of our long and outstanding safety record, we are sometimes invited to bid on projects for which other competitors do not qualify. According to the Bureau of Labor Statistics, the national average Lost Workday Cases Incidence Rate for construction companies similar to CB&I was 4.1 per 100 full-time employees for 2001 (the last reported year), while our comparable rate for such year was only 0.2 per 100. Our excellent safety performance also translates directly to lower cost, timely completion of projects, and reduced risk to our employees, subcontractors and customers.

*Management Team with Deep Engineering & Construction Industry Experience.* Members of our senior leadership team have an average of more than 25 years of experience in the E&C industry. In addition to their CB&I background, many of our senior managers have international experience with recognized EPC companies, such as Fluor, BE&K Incorporated, Rust Engineering and Stearns

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Catalytic. Our experience, particularly in risk management and project execution, enables us to recognize and capitalize upon attractive opportunities in our primary end markets.

### **Growth Strategy**

We intend to increase shareholder value through the execution of the following growth strategies:

*Leveraging the Strengths of Howe-Baker and the PDM Divisions.* Our acquisitions of Howe-Baker and the PDM Divisions have broadened our capabilities and resources to meet customer needs in our end markets. By leveraging Howe-Baker's process capabilities across our global sales and execution platform, we expect to expand this business significantly, particularly outside the United States. In addition, we are creating synergistic growth by integrating the PDM Divisions' technology, execution capabilities and customer relationships with our existing businesses to expand our storage tank offerings. We will also focus on imparting best practices and technologies from each business throughout the organization.

*Expanding our Market Share in the High-Growth Energy Infrastructure Business.* Growth in LNG trade (approximately 8% per year since 1980, according to Energy Research Associates) has created strong global demand for LNG transportation and storage systems. We intend to utilize our substantial expertise and experience in LNG and cryogenic systems to expand our presence in the worldwide sales of LNG infrastructure facilities. We have long been a leader in the turnkey design and construction of low temperature and cryogenic storage facilities, including LNG tanks, and have provided more than 40 turnkey terminals and peak shaving plants and more than 190 low temperature and cryogenic tanks. We expect that growing worldwide demand for natural gas, and the need to monetize stranded gas reserves, will create opportunities for Howe-Baker's gas processing and gas-to-liquids technologies. In addition, we expect greater opportunities for refinery revamp and expansion projects prompted by more stringent environmental regulations for transportation fuels.

*Marketing our Expanded Capabilities.* We will continue to expand our marketing programs to identify and capitalize on attractive customer bases and end markets. We will focus our sales and marketing resources on cultivating and expanding relationships with large global companies in our target industry segments that have been our traditional customers. We moved our administrative offices to The Woodlands, Texas (near Houston) to facilitate more frequent interaction with these customers. We have also assigned senior members of our sales and marketing staff to pursue targeted prospects in high potential markets, focusing in particular on LNG projects and EPC opportunities utilizing the combined CB&I and Howe-Baker resources. We believe that our ability to identify attractive customers and rapid growth markets will provide a competitive advantage during changing market conditions.

*Continuing to Improve Project Execution and Cost Control.* Consistently profitable EPC companies deliver projects at or above the initial estimated margin by effectively managing the construction process and controlling direct costs. We intend to maintain and enhance our successful track record in project execution (as measured by our internal metrics) through training and the application of best practices. In addition, identifying and controlling non-project expenses and capital expenditures is an essential part of our ongoing efforts to improve our profitability and return on investment. Current programs include controlling staffing levels, limiting capital spending through short-term rentals, and careful control of precontract expenses. Moreover, strategic investments in information technology have enabled us to lower communication costs, achieve a common reporting platform and deliver engineering documents electronically on a worldwide basis.

*Creating Growth from Acquisitions and Other Business Combinations.* We will continue to pursue growth through selective acquisitions of businesses or assets that will expand or complement our current portfolio of services. Our acquisitions of Howe-Baker and the PDM Divisions were significant steps in the implementation of this strategy. We will continue to seek future acquisition targets that (i) enable us to provide more cost-effective solutions, (ii) are well-managed, (iii) have strong growth prospects, (iv) can be acquired without excessive leverage, (v) have above-average

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margins, (vi) give us the ability to leverage our core skills and infrastructure, (vii) have a strong cultural fit and (viii) are priced fairly.

### **End-Markets Overview**

We believe that our principal end markets will experience significant growth over time as global demand for oil, energy, power and water increases. Forecasts by the Energy Information Administration (EIA) project that global energy consumption will increase by 60% between 1999 and 2020. We are positioned to benefit from this growth with our strengths in process plants, petroleum and refined product storage tanks and terminals, natural gas processing, LNG storage and systems, power plant component construction, and water storage and wastewater treatment. Major end markets served include:

*Petroleum Refining Operations and Clean Fuels.* Demand for our services in the refining industry is being driven by refiners' need to process a broader spectrum of crude oil and to produce a greater number of products, as well as requirements to comply with increasingly stringent worldwide environmental regulations for transportation fuels. These trends continue to create significant investment opportunities for companies engaged in the design, construction and revamp of oil refineries.

Current and proposed Environmental Protection Agency (EPA) regulations, as well as European Union mandates, are intended to significantly reduce sulfur content in gasoline and diesel fuels. Implementation of these regulations will require considerable capital expenditures to retrofit and rehabilitate plants to comply with the standards. The National Petroleum Council estimates that the capital outlay by U.S. refiners to meet EPA-mandated gasoline sulfur content limits will be at least \$8 billion by the mandatory compliance date in 2006. Comparable European Union (EU) mandates could require \$20 to \$25 billion in process expenditures by EU refiners during roughly the same time period. The expected increase in capital expenditures to meet clean fuel requirements should increase the amount spent on upgrading, replacing or adding refining equipment at U.S. refineries. Our 2001 turnkey contract for Murphy Oil USA's Mereaux, Louisiana refinery is an example of a project generated by the clean fuels legislation. This refinery expects to increase its crude throughput and to meet future standards for ultra-low sulfur gasoline and diesel fuel.

Our broad range of services in the refining sector includes:

non-catalytic processes such as desalting and dehydrating units, crude stabilization units, distillate treating plants and vacuum distillation units;

catalytic processes such as continuous catalytic regeneration reformers, hydrotreaters, hydrodesulfurization units and isomerization units;

process vessels;

storage tanks; and

maintenance turnarounds.

*Natural Gas.* The United States is one of the world's largest producers and consumers of natural gas. According to the National Energy Policy report, this fuel is the third-largest source of U.S. electricity generation, accounting for about 16% of the energy generation in the U.S. during 2000. Overall demand for natural gas as fuel for electricity generation in the U.S. energy economy is projected by the EIA to increase from 5.3 trillion cubic feet in 2001 to 10.6 trillion cubic feet in 2025. Demand for natural gas is also being driven by environmental requirements for cleaner fuels and the development of new gas-fired electricity generating plants. We are a recognized leader in providing turnkey facilities and equipment for natural gas processing, such as nitrogen rejection units, amine circulation units for the removal of H<sub>2</sub>S and CO<sub>2</sub>, and cryogenic gas plants to recover higher-value components such as ethane. For example, our sales during the last two years have included the design and construction of a cryogenic gas plant for Dynegy Midstream Services, L.P. at Chico,

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Texas, a turbo-expander plant to recover propane and ethane natural gas liquids for Pioneer Natural Resources in Argentina, and an LNG import terminal in the Dominican Republic.

The EIA notes that natural gas consumption in the form of LNG is increasing even faster than piped gas, especially in Asia where LNG accounts for more than 97% of Japan's natural gas consumption. LNG import terminals provide a means to add, relatively quickly, up to 1 billion cubic feet per day (BCFD) or more of capacity to strained pipelines, as compared to locating and developing new gas production fields. A number of new LNG import terminals have been announced or proposed around the world, including several to serve North America. The rising demand for LNG has heightened the need for LNG infrastructure expansion and construction. We have long been a global leader in the turnkey design and construction of low temperature and cryogenic storage facilities such as LNG storage tanks and facilities. Worldwide, we have provided more than 40 turnkey terminals and peak shaving plants, and more than 190 field-erected low temperature and cryogenic tanks.

*Chemical Process Industries and Other Petrochemical Industries.* Demand in other petrochemical and process industries has declined somewhat in recent years as a result of decreased spending by chemical and petrochemical companies and a downturn in the Asian economy. To the extent this sector demand improves, we expect to see increased activity in our processing work. In the petrochemical field, we have particular expertise in the construction of ethylene plants, which convert gas and/or liquid hydrocarbon feedstocks into ethylene, the source of many higher-value chemical products, including packaging, pipes, polyester, antifreeze, electronics, tires and tubes. The rising energy demand may also increase demand for liquefied petroleum gas (LPG) storage facilities, for which we are an industry leader, providing full pressure storage in Hortonsphere® pressure spheres and also refrigerated single wall storage tanks using our proprietary Horizontal Foam-In-Place (HFIP) tank insulation system. In the ammonia industry, we are a leading supplier of turnkey ammonia storage terminals and field-erected tanks.

*Water Storage and Treatment.* Since the early 1970s, the U.S. Congress has enacted a range of laws and provisions to establish drinking water standards and regulate underground storage tanks, biosolids reuse, waste treatment, as well as remediate and regulate hazardous waste disposal sites. According to the U.S. EPA, infrastructure spending for public water systems in the U.S. is projected to reach approximately \$150.9 billion between 1999 and 2018. Of this amount, approximately \$102.5 billion is needed in the near term to ensure compliance with the Safe Drinking Water Act. Operational costs for drinking water suppliers are rising to meet the needs of an aging infrastructure, comply with public health standards, and expand service areas. Because water is a constrained resource, the marginal cost of new sources of supply is expected to rise and the demand for new systems that meet the more stringent regulatory standards may increase. Additionally, there is increased emphasis on beneficial reuse of the biosolid byproducts of waste treatment. With an installation track record of more than 25,000 completed water storage tanks over the last century (including over 360 during the past five years), over 60 egg-shaped anaerobic digesters, and over 300 ClariCone® water clarifiers, we have significant experience in the water storage and treatment sector.

## **Services**

We provide a wide range of innovative and value-added EPC services, including:

*Process Plants.* Through our acquisition of Howe-Baker, we are able to provide EPC services for customers in the hydrocarbon industry, specializing in natural gas processing plants, refinery and petrochemical process units, and hydrogen and synthesis gas plants. Natural gas processing plants treat natural gas to meet pipeline requirements and to recover valuable liquids and other enhanced products, through such technologies as cryogenic separation, amine treating, dehydration and liquids fractionation. Refinery and petrochemical process units enable customers to extract products from the top and middle streams of the crude oil barrel using technologies such as electrical desalting, catalytic reforming, vacuum and atmospheric distillation, fuels and distillate hydrotreating, hydrodesulfurization,

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alkylation and isomerization. Synthesis gas plants generate industrial gases for use in a variety of industries through technologies such as steam methane and auto-thermal reforming, partial oxidation reactors and pressure swing adsorption purification.

*Low Temperature/ Cryogenic Tanks and Systems.* These facilities are used primarily for the storage and handling of liquefied gases. We specialize in providing refrigerated turnkey terminals and tanks. Refrigerated tanks are built from special steels and alloys that have properties to withstand cold temperatures at the storage pressure. These systems usually include special refrigeration systems to maintain the gases in liquefied form at the storage pressure. Applications extend from low temperature (+30 F to -100 F) to cryogenic (-100 F to -423 F). Customers in the petroleum, chemical, petrochemical, specialty gas, natural gas, power generation and agricultural industries use these tanks and systems to store and handle liquefied gases such as LNG, methane, ethane, ethylene, LPG, propane, propylene, butane, butadiene, anhydrous ammonia, oxygen, nitrogen, argon and hydrogen.

*Pressure Vessels.* Pressure vessels are built primarily from high strength carbon steel plates which have been formed in one of our fabrication shops and are welded together at the job site. Pressure vessels are constructed in a variety of shapes and sizes, some weighing in excess of 700 tons, with wall thickness in excess of four inches. Existing customers represent a cross section of the petroleum, petrochemical, chemical, and pulp and paper industries, where process applications of high pressure and/or temperature are required. Typical pressure vessel usage includes process and storage vessels in the petroleum, petrochemical, and chemical industry; digesters in the pulp and paper industry; and egg-shaped digesters for wastewater treatment. We have designed and erected pressure vessels throughout the world.

*Aboveground Storage Systems (Flat Bottom Tanks).* Aboveground storage tanks are sold primarily to customers operating in the petroleum, petrochemical and chemical industries around the world. This industrial customer group includes nearly all of the major oil and chemical companies on every continent. Depending on the industry and application, flat bottom tanks can be used for storage of crude oil, refined products such as gasoline, raw water, potable water, chemicals, petrochemicals and a large variety of feedstocks for the manufacturing industry.

*Water Storage and Treatment (Elevated Tanks).* The water storage line includes single pedestal spheroid, fluted column and concrete elevated tanks, as well as standpipes and reservoirs. These products have a capacity range of 25,000 gallons to in excess of 30,000,000 gallons. These structures provide potable water reserves and supply pressure to the water distribution system. Products for water treatment include solids contact clarifiers and standpipe mixing systems.

*Specialty and Other Structures.* Our specialty and other structures are marketed to a diverse group of customers in such industries as metals and mining, power generation, telecommunications, aerospace, as well as government customers. Examples of specialty structures include processing facilities or components used in the iron, aluminum and mining industries, hydroelectric structures such as penstocks and spiral cases, and turnkey vacuum facilities (non-thermal) for testing prototype spacecraft, rocket engines and satellites before launch. In a highly technical project completed for the National Science Foundation, we produced stainless steel vacuum (non-thermal) beam tubes for the LIGO (Laser Interferometer Gravitational Wave Observatory) Project, which is designed to detect cosmic gravitational waves.

*Turnarounds.* A turnaround is a planned shutdown of a refinery, chemical plant or other process unit for repair and maintenance of equipment and associated systems. The work is usually scheduled on a multi-shift, seven day-per-week basis to minimize downtime of the facility. Personnel, materials and equipment must come together at precisely the right time to accomplish this labor-intensive operation. This service often requires short cycle times and unique construction procedures. We offer this service to our customers in the petroleum, petrochemical and chemical industries throughout the world.

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*Repairs and Modifications.* Repair, maintenance and modification services are performed primarily on flat bottom tanks and pressure vessels. While we have focused on providing these services primarily in the United States, efforts are under way to expand these services throughout the world. Customers in the petroleum, chemical, petrochemical and water industries generally require these types of services.

**Competition**

We believe that we are a leading competitor worldwide in most of the services that we provide. Price, quality, reputation, safety record and timeliness of completion are the principal competitive factors within the industry. There are numerous regional, national and international competitors that offer services similar to ours.

**Marketing And Customers**

Through our global network of sales offices, we contract directly with hundreds of customers in a wide variety of industries. We rely primarily on direct contact between our technically qualified sales and engineering staff and our customers' engineering and contracting departments. Dedicated sales representatives are located in each of our global offices.

Our significant customers, with many of whom we have had longstanding relationships, are primarily in the hydrocarbon sector and are inclusive of both major petroleum companies (*i.e.*, Shell, ExxonMobil and Conoco) and large EPC companies (*i.e.*, Fluor, Bechtel, KBR and Technip-Coflexip).

We are not dependent upon any single customer on an ongoing basis and the loss of any single customer would not have a material adverse effect on our business. No single customer accounted for over 10% of our revenues in either of the last two years.

**Backlog/ New Business Taken**

We had a backlog of work to be completed on contracts of \$1.3 billion as of December 31, 2002 compared with \$835 million as of December 31, 2001. Due to the timing of awards and the sometimes long-term nature of our projects, certain backlog of our work may not be completed in the current fiscal year. New business taken was \$1.6 billion for the year ended December 31, 2002 compared with \$1.2 billion for the year ended December 31, 2001.

**New Business Taken**

	Years Ended December 31,	
	2002	2001
	(In thousands)	
North America	\$ 1,014,375	\$ 818,459
Europe, Africa, Middle East	375,897	87,724
Asia Pacific	139,907	105,788
Central and South America	110,949	148,403
	<u>          </u>	<u>          </u>
Total New Business Taken	\$ 1,641,128	\$ 1,160,374
	<u>          </u>	<u>          </u>

**Types of Contracts**

Contracts are usually awarded on a competitive bid basis. We are primarily a fixed-price, lump-sum contractor. Our significant experience in estimating and controlling project costs, combined with our knowledge of international logistics and execution, enable us to define and control the risks of fixed-price contracts.

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### **Raw Materials and Suppliers**

The principal raw materials that we use are metal plate and structural steel. These materials are available from numerous suppliers worldwide. We do not anticipate having difficulty obtaining adequate amounts of raw materials in the foreseeable future.

### **Environmental Matters**

Our operations are subject to extensive and changing U.S. federal, state and local laws and regulations and laws outside the U.S. establishing health and environmental quality standards, including those governing discharges and pollutants into the air and water and the management and disposal of hazardous substances and wastes. We are also subject to laws and regulations governing remediation of contamination at facilities that we currently or formerly owned or operated or to which we send hazardous substances or wastes for treatment, recycling or disposal. We believe that we are currently in compliance, in all material respects, with all environmental laws and regulations.

### **Patents**

We hold patents and licenses for certain items incorporated into our structures. However, none is so essential that its loss would materially affect our businesses. We continue to market our innovative tank building process called CoilBuild™ in which the tank shell is formed from continuous steel coils rather than individual plates. CoilBuild is particularly suited for smaller-diameter, stainless steel tanks used in certain petrochemical, chemical, pharmaceutical and food applications where corrosion resistance and cleanliness are vital. We have exclusive rights to the CoilBuild process in North America.

### **Employees**

We employed approximately 7,000 persons as of December 31, 2002. Approximately 10% of our worldwide employees are represented by unions. Our unionized subsidiary, CBI Services, Inc., has agreements with various unions representing groups of its employees. The largest agreement is with the Boilermakers Union which represents some of our welders. We have multiple contracts with various Boilermakers Unions across the country, and each contract has a three-year term.

We enjoy good relations with our unions and have not experienced a significant work stoppage in any of our facilities in over ten years. Additionally, to preserve our project management and technological expertise as core competencies, we recruit, develop and maintain ongoing training programs for engineers and field supervision personnel.

### **Properties**

We own or lease the properties used to conduct our business. The capacities of these facilities depend upon the components of the structures being fabricated and constructed. As the mix of structures is constantly changing, the extent of utilization of these facilities cannot be accurately stated. We believe

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these facilities are adequate to meet our current requirements. The following list summarizes our principal properties:

Location	Type of Facility	Interest
<i>North America</i>		
Beaumont, Texas	Engineering, fabrication facility, operations and administrative office	Owned
Beggs, Oklahoma	Fabrication facility	Owned
Clive, Iowa	Fabrication facility, warehouse, operations and administrative office	Owned
Everett, Washington	Fabrication facility, warehouse, operations and administrative office	Leased
Fort Saskatchewan, Canada	Warehouse, operations and administrative office	Owned
Houston, Texas(1)	Engineering, fabrication facility, warehouse, operations and administrative office	Owned
Kankakee, Illinois	Warehouse	Owned
Liberty, Texas	Fabrication facility	Leased
Pittsburgh, Pennsylvania	Warehouse	Owned
Plainfield, Illinois(2)	Engineering, operations and administrative office	Leased
Provo, Utah	Fabrication facility, warehouse, operations and administrative office	Owned
Richardson, Texas	Engineering and administrative office	Leased
San Luis Obispo, California	Warehouse and fabrication facility	Owned
Tulsa, Oklahoma	Engineering, fabrication facility, operations and administrative office	Leased
Tyler, Texas	Engineering, fabrication facility, operations and administrative office	Owned
Warren, Pennsylvania	Fabrication facility	Leased
The Woodlands, Texas(3)	Engineering, operations and administrative office	Leased
<i>Europe, Africa, Middle East</i>		
Al Aujam, Saudi Arabia	Fabrication facility and warehouse	Owned
Dubai, United Arab Emirates	Engineering, operations, administrative office and warehouse	Leased
Hoofddorp, Netherlands	Principal executive office	Leased
Secunda, South Africa	Fabrication facility and warehouse	Leased
<i>Asia Pacific</i>		
Bangkok, Thailand	Administrative office	Leased
Batangas, Philippines	Fabrication facility and warehouse	Leased
Cilegon, Indonesia	Fabrication facility and warehouse	Leased
Kwinana, Australia	Fabrication facility, warehouse and administrative office	Owned
<i>Central and South America</i>		
Caracas, Venezuela	Administrative and engineering office	Leased
Puerto Ordaz, Venezuela	Fabrication facility and warehouse	Leased



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- (1) Warehouse and administrative office are held for sale.
- (2) Sold and leased back to us on June 30, 2001.
- (3) We are presently constructing a new administrative office in The Woodlands, Texas. We are considering a sale and leaseback or similar financing structure for this facility at a future date.

We also own or lease a number of sales, administrative and field construction offices, warehouses and equipment maintenance centers strategically located throughout the world.

**Legal Proceedings**

On October 25, 2001, the U.S. Federal Trade Commission ( FTC ) announced its decision to file an administrative complaint (the Complaint ) challenging our February 2001 acquisition of certain assets of the Engineered Construction Division of PDM. The Complaint alleges that the acquisition violated Federal antitrust laws by substantially lessening competition in certain field erected specialty industrial storage tank product lines in the United States: LNG tanks, LPG tanks, LIN/ LOX/ LAR tanks, and thermal vacuum chambers. The FTC is seeking various remedies, including an order that would require us to divest sufficient assets and personnel to re-establish two distinct and separate viable competing businesses engaged in the design, engineering, fabrication, construction and sale of the relevant product lines.

We believe that the Complaint is without merit. A hearing before an FTC administrative law judge was completed on January 16, 2003 and we are awaiting the decision of the FTC judge. We expect the impact of the FTC proceeding on our earnings in 2003 will be minimal. While we are unable to assess the ultimate outcome of the litigation or potential effect of any divestiture order or other remedy on our business, financial condition and results of operation, certain of the remedies currently proposed by the FTC, if implemented, could have a material adverse effect on us.

We are a defendant in various other legal actions arising in the normal course of business, the outcomes of which after provisions and insurance therefor, in the opinion of our management, neither individually nor in the aggregate are likely to result in a material adverse effect on our business, results of operations or financial condition.

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The following table sets forth certain information regarding the Supervisory Directors of CB&I N.V., the executive officers of Chicago Bridge & Iron Company ( CBIC ) and certain Managing Directors of Chicago Bridge & Iron Company B.V. ( CB&I B.V. ). As permitted under the law of The Netherlands, CB&I N.V. does not have executive officers. CB&I B.V. serves as the Managing Director of CB&I N.V.

Name	Age	Position(s)
Gerald M. Glenn	60	Chairman of the Supervisory Board of CB&I N.V.; Chairman, President and Chief Executive Officer and Director of CBIC; Chairman, President and Chief Executive Officer and Managing Director of CB&I B.V.
Jerry H. Ballengee	65	Supervisory Director
Anthony P. Banham	59	Supervisory Director
Ben A. Guill	52	Supervisory Director
J. Charles Jennett	62	Supervisory Director
Vincent L. Kontny	65	Supervisory Director
Gary L. Neale	63	Supervisory Director
L. Donald Simpson	67	Supervisory Director
Marsha C. Williams	51	Supervisory Director
Philip K. Asherman	52	Executive Vice President and Chief Marketing Officer of CBIC; Managing Director of CB&I B.V.
David P. Bordages	52	Vice President Human Resources and Administration of CBIC
Stephen P. Crain	49	President Western Hemisphere Operations of CBIC; Managing Director of CB&I B.V.
Richard E. Goodrich	59	Executive Vice President and Chief Financial Officer of CBIC; Managing Director of CB&I B.V.
Robert B. Jordan	53	Executive Vice President and Chief Operating Officer of CBIC; Managing Director of CB&I B.V.
Tom C. Rhodes	49	Vice President, Corporate Controller and Chief Accounting Officer of CBIC
Robert H. Wolfe	53	Secretary of CB&I N.V.; Vice President, General Counsel and Secretary of CBIC; Secretary of CB&I B.V.

There are no family relationships between any executive officers and Supervisory Directors. Executive officers of CBIC are elected annually by the CBIC Board of Directors. The Managing Directors of CB&I B.V. serve until successors are elected.

*Gerald M. Glenn* has served as Chairman of the Supervisory Board of CB&I N.V. since April 1997. He has been President and Chief Executive Officer of CBIC since May 1996, and has been a Managing Director of CB&I B.V. since March 1997. Since April 1994, Mr. Glenn has been a principal in The Glenn Group LLC. From November 1986 to April 1994, he served as Group President-Fluor Daniel, Inc.

*Jerry H. Ballengee* has served as a Supervisory Director of the Company since April 1997. Since October, 2001 he has served as Chairman of the Board of Morris Material Handling Company (MMH). Mr. Ballengee served as President and Chief Operating Officer of Union Camp Corporation from

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July 1994 to May 1999 and served in various other executive capacities and as a member of the Board of Directors of Union Camp Corporation from 1988 to 1999 when the company was acquired by International Paper Company.

*Anthony P. Banham* has served as a Supervisory Director since May 10, 2002. He is Vice Chairman of Simmons & Company International, an investment banking firm located in Houston, Texas that focuses on the energy industry. Mr. Banham has been with Simmons & Company since 1976. Prior to joining Simmons & Company, he spent nine years working for Hawker Siddeley Aviation Ltd. in a variety of management capacities. He is past President of the British American Business Association in Houston, Chairman of the Awty International School Board of Trustees, and a member of the Board of Trustees of the Houston Museum of Natural Science.

*Ben A. Guill* has served as a Supervisory Director of the Company since January 2001. He is the President of First Reserve Corporation, a Connecticut-based private equity investment firm, where he has served since October 1998. First Reserve Corporation is the general partner of First Reserve Fund VIII, L.P. Prior to joining First Reserve Corporation, Mr. Guill was a Partner and Managing Director of Simmons & Company International, an investment banking firm located in Houston, Texas which focuses on the energy industry. Mr. Guill had been with Simmons & Company since 1980. He is a member of the board of directors of National-Oilwell, Inc., Superior Energy Services, Inc., Destiny Resource Services Corporation, Dresser, Inc., T-3 Energy Services, Inc., TransMontaigne Inc. and Quanta Services, Inc. Mr. Guill received his Bachelor of Arts Degree from Princeton University and his Masters Degree in Finance from the Wharton School of Business at the University of Pennsylvania.

*J. Charles Jennett* has served as a Supervisory Director of the Company since April 1997. Dr. Jennett is a private engineering consultant. He served as President of Texas A&M International University from 1996 to 2001, when he became President Emeritus. He was Provost and Vice President of Academic Affairs at Clemson University from 1992 through 1996.

*Vincent L. Kontny* has served as a Supervisory Director of the Company since April 1997. He recently retired as Chief Operating Officer of Washington Group International (serving in such position since April 2000), which filed a petition under Chapter 11 of the U.S. Bankruptcy Code on May 14, 2001. Since 1992 he has been the owner and CEO of the Double Shoe Cattle Company. Mr. Kontny was President and Chief Operating Officer of Fluor Corporation from 1990 until September 1994.

*Gary L. Neale* has served as a Supervisory Director of the Company since April 1997. He is currently President, CEO and Chairman of the Board of NiSource, Inc., whose primary business is the distribution of electricity, gas and water through utility companies. Mr. Neale has served as a director of NiSource, Inc. since 1991, a director of Northern Indiana Public Service Company since 1989, and a director of Modine Manufacturing Company (heat transfer products) since 1977.

*L. Donald Simpson* has served as a Supervisory Director of the Company since April 1997. From December 1996 to December 1999, Mr. Simpson served as Executive Vice President of Great Lakes Chemical Corporation. Prior thereto, beginning in 1992, he served in various executive capacities at Great Lakes Chemical Corporation.

*Marsha C. Williams* has served as a Supervisory Director of the Company since April 1997. Since August 2002, she has served as Executive Vice President and Chief Financial Officer of Equity Office Properties Trust, a public real estate investment trust that is an owner and manager of office buildings. From May 1998 to August 2002, she served as Chief Administrative Officer of Crate & Barrel, a specialty retail company. Prior to that, she served as Vice President and Treasurer of Amoco Corporation from December 1997 to May 1998, and Treasurer from 1993 to 1997. Ms. Williams is a director of Selected Funds, Davis Funds and Modine Manufacturing Company (heat transfer products).

*Philip K. Asherman* has been Executive Vice President and Chief Marketing Officer of CBIC since August 2001. From May 2001 to July 2001, he was Vice President Strategic Sales, Eastern Hemisphere of CBIC. Prior thereto, Mr. Asherman was Senior Vice President of Fluor Global Services and held other executive positions with Fluor Daniel, Inc. operating subsidiaries.

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*David P. Bordages* has been the Vice President Human Resources and Administration of CBIC since February 2002. Prior to that time, Mr. Bordages was Vice President Human Resources of the Fluor Corporation from April 1989 through February 2002.

*Stephen P. Crain* has been President-Western Hemisphere Operations of CBIC since August 2001 and a Managing Director of CB&I B.V. since August 1998. From November 2000 to July 2001, he was Executive Vice President and Chief Marketing Officer of CBIC. From July 1997 to November 2000, Mr. Crain was Vice President Global Sales and Marketing of CBIC. Prior to that time, Mr. Crain was employed by CBIC or its affiliates in an executive or management capacity.

*Richard E. Goodrich* has been the Executive Vice President and Chief Financial Officer of CBIC since July 2001. From November 2000 to July 2001, he was Group Vice President Western Hemisphere Operations of CBIC. From February 1999 to November 2000, Mr. Goodrich was Vice President Financial Operations of CBIC. Mr. Goodrich was the Vice President Area Director of Finance, Western Hemisphere for CBIC from June 1998 through February 1999. Prior to that time, Mr. Goodrich was the Director of Strategic Planning Energy and Chemicals Group of Fluor Daniel, Inc.

*Robert B. Jordan* has been the Executive Vice President of CBIC since November 2000 and the Chief Operating Officer of CBIC since March 2000 and a Managing Director of CB&I B. V. since February 1998. From February 1998 to November 2000, Mr. Jordan was Vice President Operations of CBIC. From May 1996 to February 1998, Mr. Jordan was the Senior Vice President Sales and Operations for the Process Division of BE&K Incorporated located in Birmingham, Alabama. Prior to that time, Mr. Jordan was the Senior Vice President Sales and Operations for the Process and Industrial Division of Rust Engineering & Construction Inc.

*Tom C. Rhodes* has been the Corporate Controller of CBIC since August 2001. From November 2000 to August 2001, Mr. Rhodes was Vice President Financial Operations for CBIC and from February 1999 to November 2000, he was Vice President Area Director of Finance, Western Hemisphere of CBIC. Prior to that time, he was Finance Director of Americas Region for Fluor Daniel, Inc.

*Robert H. Wolfe* has been the Vice President, General Counsel and Secretary of CBIC since November 1996, and the Secretary of CB&I N.V. since its inception. From June 1996 to November 1996, Mr. Wolfe served as a private consultant to Rust Engineering & Construction Inc. ( Rust ). Prior to that time, he served as Vice President, General Counsel and Secretary to Rust.

**Table of Contents****PRINCIPAL AND SELLING SHAREHOLDERS**

The following table sets forth information as of March 1, 2003 regarding the beneficial ownership of our common stock immediately prior to the offering, and as adjusted to reflect the sale of the common stock being offered hereby (assuming no exercise of the underwriters over-allotment option), by (i) each person known to us who owns beneficially or of record more than five percent (5%) of our common stock, (ii) each selling shareholder, (iii) each Supervisory Director, (iv) each executive officer and (v) all directors and executive officers as a group. The information is based on 44,561,231 shares of common stock outstanding (as of March 1, 2003) both before and after the offering.

Name and Address of Beneficial Owner	Shares Beneficially Owned Prior to the Offering		Shares Offered	Shares Beneficially Owned After the Offering	
	Number(1)	%		Number(1)	%
<b>5% Shareholders and Selling Shareholders</b>					
First Reserve Fund VIII, L.P.(2) c/o First Reserve Corporation 475 Steamboat Road Greenwich, CT 06830	13,621,790	30.6%	4,400,000	9,221,790	20.7%
WEDGE Engineering B.V.(3) Keizer Karelweg 474 1181 RL Amstelveen The Netherlands	3,705,528	8.3%	1,705,528	2,000,000	4.5%
<b>Directors and Executive Officers(4)</b>					
Gerald M. Glenn	1,783,346	4.0%	0	1,783,346	4.0%
Philip K. Asherman	38,114	*	0	38,114	*
David P. Bordages	23,044	*	0	23,044	*
Stephen P. Crain	106,530	*	0	106,530	*
Richard E. Goodrich	29,253	*	0	29,253	*
Robert B. Jordan	328,754	*	0	328,754	*
Tom C. Rhodes	10,144	*	0	10,144	*
Robert H. Wolfe	122,111	*	0	122,111	*
Jerry H. Ballengee	20,234	*	0	20,234	*
Anthony P. Banham	2,000	*	0	2,000	*
Ben A. Guill	4,000	*	0	4,000	*
J. Charles Jennett	15,000	*	0	15,000	*
Vincent L. Kontny	13,000	*	0	13,000	*
Gary L. Neale	13,000	*	0	13,000	*
L. Donald Simpson	13,000	*	0	13,000	*
Marsha C. Williams	15,000	*	0	15,000	*
All directors and executive officers as a group (16 persons)	2,536,530	5.7%	0	2,536,530	5.7%

- (1) For purpose of this table, a person or group of persons is deemed to have beneficial ownership of any shares as of a given date which such person has the right to acquire within 60 days after that date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any shares that the person or persons have the right to acquire within 60 days after such date is not deemed to be outstanding for the purposes of computing the percentage ownership of that or any other person.
- (2) First Reserve Corporation is the general partner of First Reserve Fund VIII, L.P. The following are executive officers of First Reserve Corporation: William E. Macaulay is the Chairman, a Managing

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Director and Chief Executive Officer; Ben A. Guill is the President and a Managing Director; John A. Hill is Vice Chairman and a Managing Director; Thomas R. Denison is a Managing Director, Secretary and General Counsel; J.W.G. Will Honeybourne is a Managing Director; Thomas Sikorski is a Managing Director; and Jennifer K. Zarrilli is Vice President, Treasurer and Chief Financial Officer. Messrs. Macaulay, Guill and Hill are the directors of First Reserve Corporation. It is anticipated that pursuant to authority from First Reserve Corporation's board of directors, Messrs. Macaulay and Guill may make investment and voting decisions with respect to the shares owned by First Reserve Fund VIII, L.P. In the absence of Messrs. Macaulay and Guill, other officers of First Reserve Corporation may, pursuant to authority from the board of directors, make investment and voting decisions with respect to such shares. All such persons disclaim beneficial ownership of the shares held by First Reserve Fund VIII, L.P.

- (3) The sole ultimate beneficial owner of WEDGE Engineering is Issam M. Fares of Lebanon.
- (4) As to directors and executive officers, shares deemed beneficially owned include (i) shares held by immediate family members, (ii) shares that can be acquired through stock options exercised through May 8, 2003, (iii) shares subject to a vesting schedule, forfeiture risk and other restrictions, including restricted stock units for which the participant has voting rights on the underlying stock, and, in the case of Mr. Glenn, 1,242,676 shares as to which he has fully vested rights to future delivery of the shares.

\* Beneficially owns less than one percent of our common stock.

## **Shareholder Agreements**

We are party to a Shareholder Agreement dated as of December 28, 2000 (as amended by an Amendment thereto dated as of February 7, 2001) among First Reserve, CB&I N.V. and certain of our shareholders (the "First Reserve Shareholder Agreement"). Under the First Reserve Shareholder Agreement, First Reserve and its affiliates are subject to certain standstill provisions which, without the written consent of the Supervisory Board, prohibit, among other things, (a) the purchase of additional shares by First Reserve and its affiliates except in order to maintain a 10.1% ownership stake (and to allow First Reserve and its affiliates to participate in certain other transactions approved by the Supervisory Board, such as a stock split, recapitalization or business combination), and (b) acquisition proposals, proxy solicitations, group formation or encouragement of third parties for takeover purposes. In addition, First Reserve and its affiliates are subject to restrictions on their voting rights relating to matters presented to our shareholders for vote or approval: (i) First Reserve and its affiliates are obligated to vote for the Supervisory Board nominees recommended by the Supervisory Board, provided we are in compliance with our covenants to First Reserve relating to Supervisory Board representation (see below), and (ii) First Reserve and its affiliates are obligated to vote for any proposal recommended by the Supervisory Board and against any proposal that is not recommended by the Supervisory Board, with limited exceptions for certain matters as to which First Reserve and its affiliates have sole discretionary voting rights. In the case of any business combination, recapitalization or other transaction that involves the issuance of common stock, if both of the First Reserve designees then serving on the Supervisory Board vote against approval of such transaction at the Supervisory Board level, then First Reserve and its affiliates, in any shareholder vote, are permitted to vote the shares they acquired in connection with the PDM acquisition transaction in the same proportion as the votes of our shareholders, other than First Reserve and WEDGE, who vote upon the transaction.

Pursuant to the First Reserve Shareholder Agreement, First Reserve has the right to designate two Supervisory Directors (currently Messrs. Banham and Guill) so long as First Reserve and its affiliates own at least 3,083,871 of our issued and outstanding shares and the right to designate one Supervisory Director as long as First Reserve and its affiliates own at least 10% of our issued and outstanding shares.

Under the First Reserve Shareholder Agreement and subject to limited exceptions, First Reserve and its affiliates are subject to restrictions on the transfer of their shares, including the restriction that, without our consent, First Reserve and its affiliates may not sell any of their shares to (i) any person or group who

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is or would be required to file a Schedule 13D under the Securities Exchange Act of 1934, (ii) any person or group who would, as a result of such transfer, own more than 10% of our voting securities, or (iii) a competitor of ours. Certain other sales of shares by First Reserve and its affiliates will be subject to our right of first offer. Finally, First Reserve has been granted one additional demand and unlimited piggyback registration rights relating to its shares.

We have agreed under the First Reserve Shareholder Agreement to pay \$400,000 of registration expenses in connection with the exercise by First Reserve of its demand registration rights, but excluding (i) any sales commissions or discounts relating to shares being offered by First Reserve, (ii) any transfer taxes relating to such shares, and (iii) the fees and disbursements of its legal counsel, which are to be paid by First Reserve. In addition, we are obligated under the First Reserve Shareholder Agreement to pay registration expenses with respect to piggyback registrations of First Reserve.

First Reserve has made representations and warranties to us in its Shareholder Agreement that it has no arrangement, contract, understanding or relationship with WEDGE with respect to voting power or investment power relating to our shares.

In the event of a breach by First Reserve or any of its affiliates of any standstill or other provision in the First Reserve Shareholder Agreement, we and/or our other shareholders may seek injunctive relief. However, as the relief is equitable in nature and at the discretion of the court in which the action is brought, there can be no assurance that the court will grant such relief.

A Shareholder Agreement dated as of December 28, 2000 (as amended by amendments thereto dated as of February 7, 2001 and March 19, 2003) among WEDGE, CB&I N.V. and certain of our shareholders (the WEDGE Shareholder Agreement ) has been terminated, provided that pursuant to certain surviving provisions of such Agreement WEDGE and its affiliates and assignees ( WEDGE Holders ) (i) are entitled to one additional demand and unlimited piggyback registration rights relating to their shares as long as the WEDGE Holders own in the aggregate at least 4% of our issued and outstanding shares, and (ii) retain the benefit of certain indemnification provisions.

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**DESCRIPTION OF CAPITAL STOCK**

**General**

CB&I N.V. was organized under the law of The Netherlands as a public company with limited liability ( naamloze vennootschap ) by Deed of Incorporation dated November 22, 1996. CB&I N.V. is registered in the trade register of Amsterdam under No. 33.286.441. Set forth below is a summary of certain provisions relating to our shares of common stock, par value Euro 0.01 ( common shares ), contained in our Articles of Association, as amended (our Articles of Association ), and the law of The Netherlands. Such summary does not purport to be a complete statement of our Articles of Association and the law of The Netherlands and is qualified in its entirety by reference to our Articles of Association.

Our authorized share capital was increased pursuant to a May 14, 2002 amendment to our Articles of Association from Euro 350,000 to Euro 800,000 consisting of 80,000,000 common shares, each with a par value of Euro 0.01. Until such amendment, common shares could be issued in either registered or bearer form. Since such amendment, common shares are issued in registered form only. The common shares registered in the New York registry ( New York Shares ) are listed on The New York Stock Exchange. Shareholders may hold New York Shares directly (evidenced by an entry/registration in the New York Registry and, if applicable, certificates received for those Shares) or through The Depository Trust Company (either as participant in such system or indirectly through organizations that are participants in such system). To the extent not registered in the New York registry, common shares will be registered in the shareholders register kept in Hoofddorp, The Netherlands.

**Voting Rights**

Generally, each shareholder is entitled to one vote for each common share held on every matter submitted to a vote of shareholders. Our Articles of Association make no provision for cumulative voting and, as a result, the holders of a majority of our voting power will have the power, subject to the Supervisory Board's right to make binding nominations, to elect all members of the Supervisory Board and the Management Board who are standing for election.

Unless otherwise required by our Articles of Association or the law of The Netherlands or as described below, resolutions of a general meeting of shareholders occurring in The Netherlands require the approval of a majority of the votes cast at a meeting. Our Articles of Association require that, at a time when there are one or more holders of more than 15% of our outstanding voting securities (each an affiliated holder ), certain business combination transactions, dissolution, liquidation, stock dividend, share repurchase, recapitalization transactions or transactions involving a person who is or has been an affiliated holder, which transactions otherwise require a shareholder vote for approval, will require the approval of a supermajority percentage (at least 80%) of our voting securities outstanding. While this provision may negate the ability of an affiliated holder to control a decision to sell the Company and also make it more difficult to obtain shareholder approval for certain types of business combination transactions (e.g., certain legal mergers under Dutch law) requiring a shareholder vote, this requirement would not affect the ability of an acquirer to obtain control of the Company through a tender offer or other type of business combination transaction not requiring such a shareholder vote.

Resolutions of general meetings of shareholders occurring outside The Netherlands are valid if the entire share capital is present or represented (unless voting rights have been transferred to holders of life interests). There are no laws currently in effect in The Netherlands or provisions in our Articles of Association limiting the rights of non-resident investors to hold or vote common shares.

**Dividends**

CB&I expects to pay any dividends or distributions in U.S. dollars. Any cash dividends or distributions payable to holders of New York Shares will be paid to the New York Transfer Agent and Registrar.



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### **Shareholder Meetings**

Each shareholder has the right to attend general meetings of shareholders, either in person or represented by a person holding a written proxy, to address shareholder meetings, and to exercise voting rights, subject to the provisions of our Articles of Association. Our ordinary general meetings of shareholders are held in The Netherlands at least annually, within six months after the close of each financial year. Extraordinary general meetings of shareholders may be held as often as the Management Board or the Supervisory Board deem necessary, or as otherwise provided for pursuant to the law of The Netherlands. Shareholders representing 10% of our issued shares may request that the Management Board convene an extraordinary general meeting and the subjects to be discussed.

We provide notice by mail to registered holders of common shares of each general meeting of shareholders. Such notice will be given no later than the fifteenth day prior to the day of the meeting and will include a statement of the business to be considered. The New York Transfer Agent and Registrar will provide notice of general meetings of shareholders to, and compile voting instructions from, holders of New York Shares. Registered shareholders must notify the Management Board in writing of their intention to attend a shareholder meeting.

### **Election and Tenure of Managing Directors and Supervisory Directors**

The Management Board is entrusted with the management of the Company. The Supervisory Board supervises the Management Board. The Management Board may have one or more members and the Supervisory Board may have at least six and no more than 12 members. Supervisory Board and Management Board vacancies are and will be filled by a vote of shareholders at the first general meeting after such vacancy occurs or is created. The Supervisory Board and the Management Board members are elected from binding nominations made by the Supervisory Board. At least two persons must be nominated for each vacancy. Under the law of The Netherlands and our Articles of Association, the shareholders may deprive the nominations of their binding effect by a resolution passed by a vote of two-thirds of the votes cast at the meeting if such two-thirds vote constitutes more than one-half of our issued share capital.

The general meeting of shareholders may suspend or dismiss a member of the Management Board at any time. However, if the Supervisory Board does not propose such suspension or dismissal, the general meeting of shareholders must pass a resolution based on a majority of two-thirds of the votes cast if such two-thirds vote represents more than half of our issued share capital. The Supervisory Board may suspend a member of the Management Board at any time. The general meeting of shareholders may discontinue such suspension at any time. In addition, the Supervisory Board shall determine the remuneration and terms of employment of every member of the Management Board.

Members of the Supervisory Board are appointed to serve three-year terms with approximately one-third of such members' terms expiring each year. Supervisory Directors and Managing Directors serve until the expiration of their respective terms of office or their resignation, death or removal, with or without cause, by the shareholders or, in the case of Supervisory Directors, upon reaching the mandatory retirement age of 72 (which statutory maximum age was abolished as of April 23, 2002 pursuant to Dutch law, but was retained in our Articles of Association).

Subject to our Articles of Association, the Supervisory Board may adopt rules and regulations governing its internal proceedings and especially pertaining to voting, including voting on nomination of Supervisory Directors, and provisions relating to Supervisory Board composition and governance and to give effect to matters agreed upon in shareholder agreements. See *Principal and Selling Shareholders Shareholder Agreements* above.

### **Approval of Annual Accounts and Discharge of Management Liability**

Each year, the Management Board is responsible for the preparation of annual accounts. The annual accounts must be approved and signed by all members of the Supervisory Board and then submitted to a

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general meeting of shareholders for adoption within five months after the end of our financial year, unless the general meeting of shareholders has extended this period due to special circumstances.

Pursuant to a recent amendment of Dutch law, adoption of a company's annual accounts by the general meeting of shareholders no longer automatically discharges the members of the Management Board and the Supervisory Board from liability in respect of the exercise of their duties during the financial year concerned. However, we generally expect to propose such discharge as a separate agenda item at each annual general meeting of shareholders.

### **Liquidation Rights**

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses will be distributed among holders of common shares on a *pro rata* basis.

### **Issue of Shares; Preemptive Rights**

Under the law of The Netherlands and our Articles of Association, the Supervisory Board may issue common shares when the Supervisory Board is so empowered by the general meeting of shareholders. Under the law of The Netherlands, such authorization can be granted for a maximum period of five years, subject to extension(s). Under the law of The Netherlands and our Articles of Association, each holder of common shares generally has a preemptive right to subscribe with regard to any issue of common shares *pro rata* to the shareholder's existing holdings of common shares, except for certain issuances to employees, issuances for non-cash consideration, issuances to persons who exercise a previously acquired right to subscribe for common shares, and issuances limited or excluded from such requirement by the Supervisory Board when the Supervisory Board is so empowered by the general meeting of shareholders. Under the law of The Netherlands, such authorization to limit or exclude preemptive rights can be granted for a maximum period of five years, subject to extension(s).

### **Repurchase of Common Shares**

The shareholders may delegate to the Management Board the authority, subject to certain restrictions contained in the law of The Netherlands and our Articles of Association, to cause the Company to acquire its own fully paid common shares in an amount not to exceed 10% of the issued shares at any time. Such authorization may not be granted for more than 18 months.

### **Capital Reduction**

Upon proposal by the Management Board (after approval by the Supervisory Board), the general meeting of shareholders may reduce the issued share capital by cancellation of common shares held by the Company, subject to certain statutory provisions.

### **Amendment of Our Articles of Association**

Our Articles of Association may be amended by a majority of the votes cast at a general meeting of shareholders if the proposal is stated in the convocation notice for the general meeting and a complete copy of the proposed amendment is filed at our office so that it may be inspected prior to the meeting. Proposals to amend our Articles of Association, to legally merge the Company, or to dissolve the Company require prior approval by the Supervisory Board. Notwithstanding the foregoing, no amendment of our Articles of Association shall become effective until approved by the Ministry of Justice of The Netherlands.

## **TAXATION**

The following is a summary of material tax consequences in The Netherlands and in the United States of the acquisition, ownership and disposition of our common shares under current law. It does not, however, discuss every aspect of such taxation that may be relevant to a particular taxpayer under special

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circumstances or who is subject to special treatment under applicable law, nor does it address the income taxes imposed by any political subdivision of The Netherlands or the United States or any tax imposed by any other jurisdiction. The laws upon which such discussion is based are subject to change, perhaps with retroactive effect. EACH SHAREHOLDER AND PROSPECTIVE INVESTOR SHOULD CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF ACQUIRING, OWNING AND DISPOSING OF COMMON SHARES.

### **Dutch Taxation for Non-Resident Shareholders**

The following is a summary of the material Netherlands tax consequences to an owner of our common shares who is not, or is not deemed to be, a resident of The Netherlands for purposes of the relevant tax codes. This discussion, to the extent that it is a statement as to Dutch tax law, is based upon the opinion of De Brauw Blackstone Westbrook P.C., our Netherlands tax advisors.

*Withholding Tax.* Dividends distributed by CB&I N.V. generally are subject to a withholding tax imposed by The Netherlands at a rate of 25%. The expression dividends distributed by CB&I N.V. as used herein includes, but is not limited to: (i) distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognized for Netherlands dividend withholding tax purposes; (ii) liquidation proceeds, proceeds from the redemption of common shares or, as a rule, consideration for the repurchase of common shares by CB&I N.V. in excess of the average paid-in capital recognized for Netherlands dividend withholding tax purposes; (iii) the par value of shares issued to a holder of common shares or an increase of the par value of common shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Netherlands dividend withholding tax purposes, has been made or will be made; and (iv) partial repayment of paid-in capital, recognized for Netherlands dividend withholding tax purposes, if and to the extent that there are net profits ( *zuivere winst* ), unless the general meeting of shareholders of CB&I N.V. has resolved in advance to make such repayment and provided that the par value of the common shares concerned has been reduced by an equal amount by way of an amendment to the Articles of Association.

If a holder of common shares is resident in a country other than The Netherlands and if a taxation convention is in effect between The Netherlands and such country, such holder of common shares may, depending on the terms of such double taxation convention, be eligible for a full or partial exemption from, or refund of, Netherlands dividend withholding tax.

Under the double taxation convention in effect between The Netherlands and the United States (the *Treaty* ), dividends paid by CB&I N.V. to a resident of the United States (other than an exempt organization or exempt pension organization) are generally eligible for a reduction of the 25% Netherlands withholding tax to 15%, or in the case of certain U.S. corporate shareholders owning at least 10% of the voting power of CB&I N.V., 5%, unless the common shares held by such resident are attributable to a business or part of a business that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands. The *Treaty* provides for a complete exemption for dividends received by exempt pension organizations and exempt organizations, as defined therein. Except in the case of exempt organizations, the reduced dividend withholding rate can be applied at source upon payment of the dividends, provided that the proper forms have been filed in advance of the payment. Qualifying U.S. exempt organizations must seek a full refund of the tax withheld by filing the proper forms. A holder of common shares other than an individual will not be eligible for the benefits of the *Treaty* if such holder of common shares does not satisfy one or more of the tests set forth in the limitation on benefits provisions of Article 26 of the *Treaty*.

According to an anti-dividend stripping provision, no exemption from, reduction of, or refund of, Netherlands dividend withholding tax will be granted if the ultimate recipient of a dividend paid by CB&I N.V. is not considered to be the beneficial owner of such dividend. Such recipient is not considered to be the beneficial owner if such recipient paid a consideration (in cash or in kind) in connection with the dividend and such payment forms part of a sequence of transactions, and further it is likely that (i) an individual or a company (other than the holder of the dividend coupon) benefited, in whole or in part,

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directly or indirectly, from the dividend and such individual or company would not, or to a lesser extent, be entitled to an exemption from, reduction of, or refund of, Netherlands dividend withholding tax than the recipient of the dividend, and (ii) such individual or company, directly or indirectly, retains or acquires a position in the shares that is comparable with his/her or its position in similar shares that he/she or it had before the sequence of transactions began. The term *sequence of transactions* as used herein includes the sole acquisition of one or more dividend coupons and the establishment of short-term rights of enjoyment on shares, while the transferor retains the ownership of the shares. The Netherlands tax authorities have taken the position that this beneficial ownership test can also be applied to deny relief from Netherlands withholding tax under double taxation conventions. However, there are arguments for the view that the term *beneficial ownership* must be interpreted in the context of double taxation conventions and not with reference to domestic law of a contracting state.

Under certain circumstances, a transfer of the full amount of withholding tax withheld to The Netherlands tax authorities will not be required with respect to dividend distributions out of dividends received from CB&I N.V.'s qualifying foreign affiliates. The amount not transferred amounts to 3% of the gross amount of any cash dividend paid on the common shares, but will not exceed 3% of the gross dividends received from CB&I N.V.'s qualifying foreign affiliates during the calendar year until the withholding date and the two previous calendar years to the extent that these distributions have not been taken into account in respect of the determination of a previous reduction of withholding tax to be transferred. This reduction is not paid out to holders of common shares, but remains with the Company instead.

*Distribution Tax.* In the period from January 1, 2001 up to and including December 31, 2005, CB&I N.V. will be subject to a temporary special distribution tax ( *surtax* ) at a rate of 20% on certain dividends that are qualified as *excessive* . Dividends are considered to be *excessive* , among other things, when the total proceeds distributed during a particular calendar year exceed the highest of (i) 4% of CB&I N.V.'s market capitalization at the beginning of the relevant calendar year, (ii) twice the amount of the average annual dividends (exclusive of extraordinary distributions) by reference to the three calendar years immediately preceding January 1, 2001, or (iii) CB&I N.V.'s adjusted consolidated commercial result for the preceding fiscal year. Certain exceptions exist. The qualification of this surtax and the consequences thereof for foreign shareholders are uncertain. To the extent dividends that are subject to this surtax are distributed to certain qualifying shareholders, CB&I N.V. is not required to withhold Netherlands dividend withholding tax.

*Taxes on Income and Capital Gains.* A holder of common shares will not be subject to any Netherlands taxes on income or capital gains in respect of dividends distributed by CB&I N.V. or in respect of any gain realized on the disposal of common shares (other than the withholding tax described above), provided that: (i) such holder is neither resident nor deemed to be a resident nor opting to be taxed as a resident in The Netherlands; (ii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the common shares are attributable; (iii) such holder is not a taxable entity for Netherlands corporate income tax purposes that is deemed to have a Netherlands enterprise to which enterprise the common shares are attributable; (iv) such holder is not an individual performing other activities in the Netherlands in respect of the common shares, including activities which are beyond the scope of normal investment activities; and (v) such holder does not have a substantial interest or a deemed substantial interest in CB&I N.V. or, if such holder does have such an interest, it forms part of the assets of an enterprise. Generally, a holder of common shares will not have a substantial interest if he, his partner, certain other relatives (including foster children) or certain persons sharing his household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain other rights over, common shares representing five percent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of CB&I N.V., or rights to acquire shares, whether or not already issued, that represent at any time (and from time to time) five percent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of CB&I N.V., or the ownership of certain profit

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participating certificates that relate to five percent or more of the annual profit of CB&I N.V. and/or to five percent or more of the liquidation proceeds of CB&I N.V. A deemed substantial interest is present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

*Gift, Estate and Inheritance Taxes.* No gift, estate and inheritance taxes will arise in The Netherlands with respect to an acquisition of common shares by way of a gift by, or on the death of, a holder of common shares who is neither a resident nor deemed to be resident in The Netherlands, unless: (i) the holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the common shares are or were attributable; or (ii) in the case of a gift of shares by an individual who at the time of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands. For purposes of Netherlands gift, estate and inheritance tax, an individual who holds The Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual not holding The Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

*Other Netherlands Taxes and Duties.* Save for a capital tax which will be payable by CB&I N.V., no registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in The Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the common shares.

### **Dutch Taxation for Resident Shareholders**

The following discussion is intended only for the following shareholders or investors:

individuals who are resident or deemed to be resident in The Netherlands for tax purposes or who have opted to be taxed as resident in The Netherlands, excluding (i) individuals who invest in common shares that form part of a substantial interest or a deemed substantial interest in CB&I N.V. or (ii) individuals who are, or are deemed to be, CB&I N.V.'s employees, director or board members or individuals who are, or are deemed to be, employees, directors, board members of companies related to CB&I N.V. (the Dutch Individuals); and

corporate entities, which term includes associations which are taxable as corporate entities, that are resident or deemed to be resident in The Netherlands for tax purposes, excluding corporate entities that are (i) not subject to Dutch corporate income tax, (ii) exempt from such corporate income tax, including but not limited to pension funds (*pensioenfondsen*) as defined under Dutch law or (iii) investment institutions (*beleggingsinstellingen*) as defined under Dutch law.

Generally, a holder of common shares will not have a substantial interest if he, his partner, certain other relatives (including foster children) or certain persons sharing his household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain other rights over, common shares representing five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of CB&I N.V., or rights to acquire shares, whether or not already issued, that represent at any time (and from time to time) five per cent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of CB&I N.V., or the ownership of certain profit participating certificates that relate to five per cent or more of the annual profit of CB&I N.V. and/or to five per cent or more of the liquidation proceeds of CB&I N.V. A deemed substantial interest is present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

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***Individual and Corporate Income Tax***

*Dutch individuals not engaged in an enterprise.* A Dutch individual (i) who holds common shares that are not attributable to an enterprise of which such a Dutch individual derives a share of the profit, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, (ii) who is not performing other activities in respect of the common shares, including but not limited to activities which are beyond the scope of normal investment activities, and (iii) who does not have a substantial interest or a deemed substantial interest in CB&I N.V., generally is subject to income tax at a rate of 30% on a deemed yield of 4% of the average market value of the common shares in any one year.

*Dutch individuals engaged in an enterprise and corporate entities.* Any benefits derived or deemed to be derived from common shares (including any capital gains realized on the disposal thereof) that are attributable to an enterprise of which such a Dutch individual derives a share of the profit, whether as an entrepreneur (*ondernemer*) or as a person who has a co-entitlement to the net worth of such enterprise other than by way of shares, generally are subject to income tax at progressive rates. Any benefits derived or deemed to be derived from shares (including any capital gains realized on the disposal thereof) that are held by a Dutch corporate entity generally are subject to corporate income tax.

*Withholding Tax.* Dividends distributed by CB&I N.V. generally are subject to a withholding tax imposed by The Netherlands at a rate of 25% per cent. See *Dutch Taxation for Non-Resident Shareholders Withholding Tax* above for a definition of dividends distributed by CB&I N.V. as used herein.

Dutch individuals and Dutch corporate entities generally can credit the withholding tax against their Netherlands income tax or corporate income tax liability and generally are entitled to a refund of dividend withholding tax insofar as the withholding tax exceeds their aggregate income tax or corporate income tax liability. In the case of certain holders of common shares subject to Dutch corporate income tax and enjoying the participation exemption, no withholding tax may need to be withheld at all.

According to an anti-dividend stripping provision, no exemption from, credit, reduction of, or refund of, Netherlands dividend withholding tax will be granted if the ultimate recipient of a dividend paid by CB&I N.V. is not considered to be the beneficial owner of such dividend (see *Dutch Taxation for Non-Resident Shareholders Withholding Tax* above for a description of who is considered a beneficial owner).

*Distribution Tax.* In the period from January 1, 2001 up to and including December 31, 2005, CB&I N.V. will be subject to a temporary special distribution tax at a rate of 20% on certain dividends that are qualified as excessive (see *Dutch Taxation for Non-Resident Shareholders Distribution Tax* above for a description of what is considered excessive). Certain exceptions exist. To the extent dividends that are subject to this surtax are distributed to certain qualifying shareholders, CB&I N.V. is not required to withhold Netherlands dividend withholding tax.

*Gift, Estate and Inheritance Taxes.* Netherlands gift, estate or inheritance taxes may apply to an acquisition of common shares by way of a gift by, or on the death of, a holder of common shares who is resident or deemed to be resident in The Netherlands, including if: (i) the holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the common shares are or were attributable; or (ii) in the case of a gift of shares by an individual who at the time of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Netherlands gift, estate and inheritance tax, an individual who holds The Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual not holding The Netherlands nationality will be deemed to be resident in The

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Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

*Other Netherlands Taxes and Duties.* Save for capital tax which will be payable by CB&I N.V., no registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in The Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the common shares.

**Certain United States Federal Tax Considerations**

The following discussion contains a description of the material U.S. federal income tax consequences of the purchase, ownership and disposition of our common shares, by a holder that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the shares (a U.S. Holder ). The discussion is based on the Code, regulations, rulings and decisions now in effect, all of which are subject to change, including changes made on a retroactive basis. We have not requested a ruling from the Internal Revenue Service with respect to any of the United States federal income tax consequences of the purchase, beneficial ownership and disposition of shares. As a result, there can be no assurance that the Internal Revenue Service will not disagree with or challenge any of the conclusions described below.

This discussion is not a full description of all tax considerations that may be relevant to ownership of shares or a decision to purchase shares. In particular, the discussion is directed only to U.S. Holders that will hold shares as capital assets and whose functional currency is the U.S. dollar. The discussion does not address the tax treatment of holders that are subject to special tax rules, such as banks, security dealers, dealers in currencies, securities traders who elect to account for their investment in shares on a mark-to-market basis, persons that hold shares as a position in a straddle or conversion transaction, insurance companies, tax-exempt entities and, except as described below, holders of 10% or more of the voting shares of CB&I N.V. The discussion assumes that dividends on our common shares will continue to be paid in U.S. dollars.

**PROSPECTIVE PURCHASERS AND CURRENT HOLDERS OF COMMON SHARES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE U.S. TAX CONSEQUENCES TO THEM OF THE PURCHASE, BENEFICIAL OWNERSHIP AND DISPOSITION OF SHARES INCLUDING, IN PARTICULAR, THE EFFECT OF ANY STATE, LOCAL OR NATIONAL TAX LAWS.**

*Taxation of Dividends.* The gross amount of cash or property distributions (including any Netherlands withholding tax deducted therefrom) received with respect to common shares by a U.S. Holder are dividends taxable in the United States as ordinary income to the extent of the current and accumulated earnings and profits of CB&I N.V., as determined under U.S. federal income tax principles. These dividends are not eligible for the dividends received deduction, which is generally allowed to United States corporate shareholders on dividends which are received from a U.S. corporation.

Distributions in excess of the current and accumulated earnings and profits of CB&I N.V. will be treated first as nontaxable returns of capital to the extent of such U.S. Holder's adjusted tax basis in the common shares, and any such distribution in excess of such basis will constitute gain, which gain will be capital gain if the common shares are held as capital assets.

Subject to certain conditions and limitations, Netherlands taxes withheld in accordance with the Treaty will be treated as a foreign tax that U.S. Holders may elect to deduct in computing their U.S. federal taxable income or credit against their U.S. federal income tax liability. Additional withholding tax, if any, in excess of the rate applicable under the Treaty generally will not be eligible for credit against the U.S. Holder's U.S. federal income tax liability. Furthermore, although CB&I NV has determined that it has not been eligible for, or claimed, the Netherlands credit with respect to dividends received from qualifying foreign affiliates, if in the future it should be eligible for such credit, a risk exists that the Internal Revenue Service would reduce the amount of Netherlands taxes withheld from distributions to

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U.S. Holders that are eligible for U.S. foreign tax credit purposes as the result of such Netherlands credit received by CB&I N.V. For foreign tax credit purposes, dividends paid by CB&I N.V. (except in limited situations) will be foreign source passive income or, in the case of certain U.S. Holders, foreign source financial services income.

Under rules enacted by Congress in 1997 and other guidance issued by the U.S. Treasury, foreign tax credits will generally not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. Holder's reasonably expected economic profit, after non-U.S. taxes, is insubstantial compared to the value of the expected foreign tax credits. U.S. Holders should consult their own tax advisors concerning the implications of these rules in light of their particular circumstances.

For foreign tax credit purposes, it is likely that 50% or more of the common shares will be treated as directly or indirectly owned by U.S. persons. If so and if 10% or more of CB&I N.V.'s earnings and profits, as calculated under U.S. federal income tax principles, for any taxable year were attributable to sources within the United States, a portion of any dividends paid by CB&I N.V. would be recharacterized as U.S. source income for foreign tax credit purposes. In such a case, it may not be possible for U.S. Holders to claim the full amount of any Netherlands withholding tax as a credit against their U.S. federal income tax liability.

*Sale or Other Disposition of Common Shares.* A U.S. Holder will generally recognize gain or loss for U.S. federal income tax purposes upon the sale or other disposition of common shares in an amount equal to the difference between the amount realized from such sale or other disposition and the U.S. Holder's adjusted tax basis for such common shares. Adjusted tax basis is determined based on several factors, including the initial price paid for the shares and distributions that are treated as nontaxable returns of capital. Such gain or loss will be a capital gain or loss if the common shares are held as a capital asset and will be long-term capital gain or loss if such U.S. Holder's holding period for the common shares is more than one year. Long-term capital gain realized by a U.S. Holder who is an individual is subject to a maximum rate of 20%. Gain realized by a U.S. Holder on a sale or other disposition of shares generally will be treated as U.S.-source income for U.S. foreign tax credit purposes. The deductibility of capital losses may be subject to limitation.

*Controlled Foreign Corporation Classification.* CB&I N.V. will be classified as a controlled foreign corporation for U.S. federal income tax purposes if U.S. 10% Shareholders own more than 50% (by voting power or value) of our stock. In that event, all U.S. 10% Shareholders will be subject to taxation under Subpart F of the Code, including possible taxation of such U.S. 10% Shareholders based on certain income of CB&I N.V. even in the absence of distributions of such income.

*Passive Foreign Investment Company Considerations.* A non-U.S. corporation will be classified as a passive foreign investment company (a PFIC) for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (i) at least 75% of its gross income for the taxable year is passive income, or (ii) at least 50% of the gross value of its assets on average is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and the excess of gains over losses from certain commodities and securities transactions.

Based on certain estimates of gross income and gross assets and the nature of our business, CB&I N.V. believes that it will not be classified as a PFIC for its current taxable year. CB&I N.V.'s status in future years will depend on its assets and activities in those years. CB&I N.V. has no reason to believe that its assets or activities will change in a manner that would cause it to be classified as a PFIC. If CB&I N.V. were a PFIC, a U.S. Holder of common shares would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or exchange of, and certain distributions with respect to, common shares.

If CB&I N.V. were a PFIC, a U.S. Holder could make a variety of elections that may alleviate the adverse tax consequences referred to above, and one of these elections may be made retroactively in



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certain circumstances. U.S. Holders should consult their own tax advisors regarding the tax consequences that would arise if CB&I N.V. were treated as a PFIC.

*Backup Withholding and Information Reporting.* Information reporting may apply to certain dividends on the common shares and the proceeds of the sale of the common shares paid to U.S. Holders other than certain exempt recipients (such as corporations). A backup withholding tax may apply to such payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status. Any amounts withheld under the backup withholding rules will be allowed as a credit against such U.S. Holder's federal income tax liability and is refundable provided that the required information is furnished to the Internal Revenue Service.

**SHARES ELIGIBLE FOR FUTURE SALE**

Upon completion of the common share offering contemplated by this prospectus, we will have 44,561,231 shares of our common stock outstanding and 7,632,928 shares reserved for issuance under our employee compensation and stock plans. The 6,105,528 common shares sold in the offering contemplated hereby (7,021,357 if the underwriters' over-allotment option is exercised in full) will be freely tradeable without restrictions or further registration under the Securities Act of 1933, except for any shares purchased by an affiliate (as that term is defined in Rule 144 under the Securities Act of 1933 ( Rule 144 )) of the Company, which will be subject to the resale limitations of Rule 144.

The 9,221,790 remaining shares that First Reserve will hold upon completion of the offering, the 2,000,000 remaining shares held by WEDGE Engineering, the 2,536,530 shares currently held by our directors and executive officers, and any shares purchased by our affiliates may be sold by the respective holders thereof only pursuant to an effective registration statement under the Securities Act of 1933, pursuant to Rule 144 or in accordance with an exemption under the Securities Act of 1933.

In general, under Rule 144, a person (including an affiliate) who beneficially owns shares that are restricted securities as to which at least one year has elapsed since the later of the date of acquisition of such securities from the issuer or from an affiliate of the issuer, and any affiliate who owns shares that are not restricted securities, is entitled to sell, within any three-month period, a number of shares that does not exceed (together with any sale by other persons required to be aggregated) the greater of 1% of our then outstanding common shares or the average weekly trading volume in our common shares in composite trading on all exchanges during the four calendar weeks preceding such sale. A person (or persons whose shares are aggregated) who is not deemed an affiliate of ours and who has beneficially owned restricted securities as to which at least two years have elapsed since the later of the date of the acquisition of such securities from the issuer or from an affiliate of the issuer is entitled to sell such shares under Rule 144 without regard to the volume limitations described above. Sales under Rule 144 are also subject to certain manner of sale restrictions, notice requirements and the availability of current public information concerning us.

In connection with this offering, First Reserve, WEDGE Engineering and our directors and executive officers have entered into agreements restricting their ability to transfer shares of our common stock without the prior written consent of Credit Suisse First Boston LLC, in the case of our directors and officers, or Credit Suisse First Boston LLC and Banc of America Securities LLC, in the case of First Reserve and WEDGE Engineering, for a period of 90 days after the date of this prospectus. See Underwriting.

No prediction can be made as to the effect, if any, that market sales of our common shares, or the availability of such shares for sale, will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could adversely affect prevailing market prices for our common stock.

**Table of Contents****UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement dated \_\_\_\_\_, 2003, the selling shareholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston LLC and Banc of America Securities LLC are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse First Boston LLC	
Banc of America Securities LLC	
First Albany Corporation	
Hibernia Southcoast Capital	
Sanders Morris Harris Inc.	
	—
Total	—

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

The selling shareholders have granted to the underwriters a 30-day option to purchase on a pro rata basis up to \_\_\_\_\_ additional outstanding shares from the selling shareholders at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ \_\_\_\_\_ per share. The underwriters and selling group members may allow a discount of \$ \_\_\_\_\_ per share on sales to other broker/ dealers. After the initial public offering, the representatives may change the public offering price and concession and discount to broker/ dealers.

The following table summarizes the compensation and estimated expenses we and the selling shareholders will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Expenses payable by us	\$	\$	\$	\$
Underwriting Discounts and Commissions paid by selling shareholders	\$	\$	\$	\$
Expenses payable by the selling shareholders	\$	\$	\$	\$

Pursuant to the First Reserve Shareholder Agreement and the WEDGE Shareholder Agreement, we have agreed to pay \$400,000 of registration expenses in connection with the exercise by First Reserve of its demand registration rights and the exercise by the WEDGE Holders of their piggyback registration rights, but excluding (i) any sales commissions or discounts relating to shares being offered by First Reserve or the WEDGE Holders, (ii) any transfer taxes related to such shares and (iii) fees and disbursements of their legal counsel, which are to be paid by each of First Reserve and the WEDGE Holders, respectively.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing,



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without the prior written consent of Credit Suisse First Boston LLC and Banc of America Securities LLC for a period of 90 days after the date of this prospectus, except (i) grants or issuances of options, restricted shares or restricted stock units, performance shares or performance units, or any other common stock issued pursuant to our existing compensation and employee benefit plans, as such plans are in effect as of the date of this prospectus, and (ii) the payment in common stock to our supervisory directors of a portion of their annual directors fees.

Our executive officers and directors have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse First Boston LLC for a period of 90 days after the date of this prospectus.

We and the selling shareholders have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

Some of the underwriters and their affiliates have provided, and may provide in the future, investment banking and other financial services for us in the ordinary course of business for which they have received or would receive customary compensation.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions. These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the

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price that might otherwise exist in the open market. These transactions may be effected on The New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

## **NOTICE TO CANADIAN RESIDENTS**

### **Resale Restrictions**

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling shareholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

### **Representations of Purchasers**

By purchasing common stock in Canada and accepting a purchase confirmation a purchaser is representing to us, the selling shareholders and the dealer from whom the purchase confirmation is received that:

the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,

where required by law, that the purchaser is purchasing as principal and not as agent, and

the purchaser has reviewed the text above under Resale Restrictions.

### **Rights of Action Ontario Purchasers Only**

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the shares, for rescission against us and the selling shareholders in the event that this prospectus contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for shares. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the shares. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the selling shareholders. In no case will the amount recoverable in any action exceed the price at which the shares were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we and the selling shareholders will have no liability. In the case of any action for damages, we and the selling shareholders will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the shares as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

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### **Enforcement of Legal Rights**

All of our directors and officers as well as the experts named herein and the selling shareholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the issuer or such persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

### **Taxation and Eligibility for Investment**

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

### **NOTICE TO DUTCH RESIDENTS**

This Prospectus is not a prospectus as referred to in article 3, paragraph 2 under b of the Act on the Supervision of Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*) ( Act ). A dispensation from the prohibition of article 3, paragraph 1 of the Act has been granted by the Netherlands Authority for the Financial Markets on , 2003 under reference .

### **LEGAL MATTERS**

The validity of the shares of common stock offered by this prospectus will be passed upon for us by DeBrauw Blackstone Westbroek P.C., New York, New York. Certain legal matters will be passed upon for the underwriters by Latham & Watkins, Chicago, Illinois.

### **EXPERTS**

The consolidated financial statements as of and for the year ended December 31, 2002, included and incorporated by reference in this prospectus and registration statement, and the related consolidated financial statement schedule as of and for the year ended December 31, 2002 incorporated by reference in the registration statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein and incorporated by reference in the registration statement (which reports express an unqualified opinion and include explanatory paragraphs referring to (i) our change in accounting for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards No. 142, and (ii) the application of procedures relating to certain adjustments, disclosures and reclassifications of financial statement amounts related to the 2000 and 2001 consolidated financial statements that were audited by other auditors who have ceased operations (Arthur Andersen) and for which Deloitte & Touche LLP has expressed no opinion or other form of assurance other than with respect to such adjustments, disclosures and reclassifications), and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

However, as a result of the cessation of Arthur Andersen's practice, we have not obtained the consent of Arthur Andersen to our inclusion or incorporation by reference in this registration statement of their report on our consolidated financial statements for the years ended December 31, 2001 and 2000. Accordingly, in reliance on Rule 437(a) under the Securities Act, we have dispensed with the requirement to obtain and file Arthur Andersen's consent. See Risk Factors There are Risks Related to Our Previous Use of Arthur Andersen LLP as Our Independent Public Accountant on page 10 of this prospectus.

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**AVAILABLE INFORMATION**

We are subject to the reporting requirements of the Securities Exchange Act of 1934 and file annual and quarterly reports, proxy statements and other information with the SEC. We have also filed with the SEC a registration statement on Form S-3, including exhibits and schedules, under the Securities Act of 1933 with respect to the common shares to be sold in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules that are part of the registration statement. The registration statement and all annual and quarterly reports, proxy statements and other information filed by us with the SEC can be inspected and copied at the SEC's public reference facility at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549.

You can also request copies of these documents upon payment of a duplicating fee by writing to the SEC. You may call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference rooms. Our filings are also available to you on the Internet website maintained by the SEC at <http://www.sec.gov>.

Our common shares are listed on The New York Stock Exchange and reports, proxy statements and other information concerning us can be inspected at The New York Stock Exchange located at 20 Broad Street, New York, New York 10005.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus information that we file with the SEC. This means that:

we can disclose important information to you by referring to other documents that contain that information;

the information incorporated by reference is considered to be part of this prospectus; and

any information that we file with the SEC in the future is automatically incorporated into this prospectus and updates and supersedes previously filed information.

We incorporate by reference into this prospectus:

our Annual Report on Form 10-K for the year ended December 31, 2002;

our Current Report on Form 8-K dated January 22, 2003; and

the description of our common shares contained in our Registration Statement on Form 8-A (as amended by Amendment No. 2 dated September 24, 2002).

All other documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the initial filing of the registration statement and prior to the termination of this offering shall also be deemed to be incorporated by reference in this prospectus and to be a part hereof from the respective dates of the filing of such documents. If we have incorporated by reference any statement or information in this prospectus and we subsequently modify that statement or information, the statement or information incorporated in this prospectus is also modified or superseded in the same manner.

We will provide without charge to each person to whom a copy of this prospectus is delivered, upon written or oral request of any such person, a copy of any and all of these documents, other than exhibits to those documents that are not specifically incorporated by reference into the documents. You may request copies by contacting Chicago Bridge & Iron Company, 10200 Grogan's Mill Road, Suite 300, The Woodlands, Texas 77380, Attention: Investor Relations Department, Telephone: 832-513-1245.

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**CHICAGO BRIDGE & IRON COMPANY N.V.**

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Shareholders and the Supervisory Board of Chicago Bridge & Iron Company N.V.:

We have audited the accompanying consolidated balance sheet of Chicago Bridge & Iron Company N.V. (a Netherlands corporation) and Subsidiaries (the Company) as of December 31, 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company as of December 31, 2001 and for the years ended December 31, 2001 and 2000, prior to the revisions discussed in the Notes to the financial statements as indicated below, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements in their report dated February 11, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 2 and 7 to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill and other intangible assets upon the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets.

As discussed above, the consolidated financial statements of the Company as of December 31, 2001, and for the years ended December 31, 2001 and 2000, were audited by other auditors who have ceased operations. Such financial statements have been revised to give effect to the following adjustments and reclassifications:

February 10, 2003 stock split (see Note 14). We audited the adjustments described in Note 14 that were applied to revise the 2001 and 2000 financial statements for such stock split. Our audit procedures included (1) comparing the amounts shown in the earnings per share disclosures for 2001 and 2000 to the Company's underlying accounting analysis obtained from management, (2) comparing the previously reported shares outstanding and income statement amounts per the Company's accounting analysis to the previously issued financial statements, and (3) recalculating the additional shares to give effect to the stock split and testing the mathematical accuracy of the underlying analysis.

Transitional disclosures for adoption of SFAS No. 142 (see Note 7). We audited the adjustments described in Note 7 that were applied to revise the 2001 and 2000 financial statements to include the transitional disclosures required by SFAS No. 142, which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 7 with respect to 2001 and 2000 included (1) comparing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill and intangible assets that are no longer being amortized and changes in amortization periods for intangible assets that will continue to be amortized as a result of initially applying SFAS No. 142 (including any related tax effects) to the Company's underlying analysis obtained from management, (2) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income and

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the related earnings-per-share amounts and (3) comparing the separate amounts for goodwill and other intangible assets for 2001 to the Company's underlying analysis obtained from management, and (4) testing the mathematical accuracy of the underlying analysis.

Summarized disclosure of defined benefit plans (see Note 11). We audited the adjustments that were applied to revise the 2001 and 2000 financial statements to include combined tabular disclosures of the Company's defined benefit plans as permitted under SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, as compared to previous tabular presentation of each defined benefit plan. Our audit procedures with respect to the 2001 and 2000 disclosures in Note 11 included (1) comparing the previously reported tabular presentation of each defined benefit plan to a combining schedule prepared by management, and (2) testing the mathematical accuracy of the underlying analysis.

In our opinion, the adjustments, transitional disclosures and reclassifications to the 2001 and 2000 financial statements and disclosures described above have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such adjustments, transitional disclosures and reclassifications, and accordingly, we do not express an opinion or any form of assurance on the 2001 and 2000 financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Houston, Texas  
February 13, 2003

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**INFORMATION REGARDING PREDECESSOR INDEPENDENT PUBLIC**

**ACCOUNTANTS REPORTS**

The following report is a copy of a report previously issued by Arthur Andersen LLP ( Andersen ). The report has not been reissued by Andersen. As discussed in Note 7 Goodwill and Other Intangibles , the Company has presented the transitional disclosures for 2001 and 2000 required by SFAS No. 142, and as discussed in Note 14 Shareholders Equity , the Company has adjusted prior periods for the stock split for all periods presented. Additionally, the Company revised the 2001 and 2000 financial statements to include combined tabular disclosures of the Company s defined benefit plans as permitted under SFAS No. 132. The Andersen report does not extend to these changes to the 2001 and 2000 consolidated financial statements.

To the Shareholders and the Supervisory Board of Chicago Bridge & Iron Company N.V.:

We have audited the accompanying consolidated balance sheets of CHICAGO BRIDGE & IRON COMPANY N.V. (a Netherlands corporation) and SUBSIDIARIES as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders equity and cash flows for each of the three years ended December 31, 2001. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America and The Netherlands. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHICAGO BRIDGE & IRON COMPANY N.V. and SUBSIDIARIES as of December 31, 2001 and 2000, and the results of its operations and cash flows for each of the three years ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

ARTHUR ANDERSEN

Amsterdam, The Netherlands  
February 11, 2002

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**Table of Contents****CHICAGO BRIDGE & IRON COMPANY N.V. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31,		
	2002	2001	2000
	(In thousands, except share data)		
Revenues	\$ 1,148,478	\$ 1,081,824	\$ 611,691
Cost of revenues	992,927	945,048	542,721
Gross profit	155,551	136,776	68,970
Selling and administrative expenses	73,155	67,519	41,913
Intangibles amortization (Note 7)	2,529	5,819	599
Other operating income, net	(1,818)	(691)	(2,401)
Special charges (Note 4)	3,972	9,686	55,664
Income (loss) from operations	77,713	54,443	(26,805)
Interest expense	(7,114)	(8,392)	(5,187)
Interest income	1,595	1,854	430
Income (loss) before taxes and minority interest	72,194	47,905	(31,562)
Income tax (expense) benefit (Note 16)	(20,233)	(13,480)	4,859
Income (loss) before minority interest	51,961	34,425	(26,703)
Minority interest in income	(1,812)	(2,503)	(1,341)
Income (loss) from continuing operations	50,149	31,922	(28,044)
Discontinued operations (Note 5):			
Loss from discontinued operations, net of taxes		(2,321)	(5,731)
Loss on disposal of discontinued operations, net of taxes		(9,898)	
Net income (loss)	\$ 50,149	\$ 19,703	\$ (33,775)
Net income (loss) per share (Note 2)			
Basic			
Income (loss) from continuing operations	\$ 1.16	\$ 0.74	