CHICAGO BRIDGE & IRON CO N V
Form S-3/A
June 13, 2003

As filed with the Securities and Exchange Commission on June 13, 2003

Registration No. 333-103972

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3
to

Form S-3

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

Chicago Bridge & Iron Company N.V.

(Exact name of Registrant as Specified in Its Charter)

The Netherlands	**Not Applicable**
(State or Other Jurisdiction of Incorporation or Organization)	*(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	**233 South Wacker Drive**
Chicago, Illinois 60601	**Chicago, Illinois 60606**

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. o

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 box. o

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. o

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. o

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

CALCULATION OF REGISTRATION FEE

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(3)
Common Stock, Euro 0.01 par value per share	9,269,305 shares	$22.08	$204,666,254	$16,557.50

(1) Includes 1,198,777 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 June 6, 2003, in accordance with Rule 457(c) under the Securities Act of 1933.
(3) $13,733.61 of this fee was previously paid.

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.

SUBJECT TO COMPLETION, DATED JUNE 13, 2003

8,070,528 Shares

Chicago Bridge & Iron Company N.V.

Common Stock, Par Value Euro 0.01 Per Share

We are selling 1,000,000 shares of common stock and the selling shareholders are selling 7,070,528 shares of common stock. 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 June 12, 2003 was $22.50 per share.

The underwriters have an option to purchase a maximum of 1,198,777 additional shares from one of the selling shareholders 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.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to CB&I	Proceeds to the Selling Shareholders
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 **Banc of America Securities LLC**
Lehman Brothers

BMO Nesbitt Burns
First Albany Corporation
Hibernia Southcoast Capital
Sanders Morris Harris

The date of this prospectus is , 2003.

[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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TABLE OF CONTENTS

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. We will amend this document as required by applicable law.

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. Unless the context requires otherwise, references to we, us, our, the Company or CB&I refer collectively to Chicago Bri & Iron Company N.V. and its subsidiaries, and CB&I N.V. refers to the parent company Chicago Bridge & Iron Company N.V. only.

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 March 31, 2003. 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. 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 acquisition of Howe-Baker International, L.L.C. (Howe-Baker) has significantly enhanced our range of services. In addition, we recently acquired certain assets of Petrofac Inc., an EPC Company serving the hydrocarbon processing industry based in Tyler, Texas, and certain assets of John Brown Hydrocarbons Limited, a company headquartered in London that provides comprehensive engineering, program and construction management services in the offshore, onshore and pipeline sectors of the hydrocarbon industry. See Business Recent Developments.

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 Our Acquisitions. Our acquisitions over the past three years 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 acquired 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.

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 us	1,000,000 shares
By the selling shareholders	7,070,528 shares(1)
Total	8,070,528 shares(1)
Total common stock outstanding after the offering	45,456,725 shares(2)(3)
Use of proceeds	We will receive proceeds of approximately $, which are net of underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use these proceeds for general corporate purposes, including payment of the remaining consideration owed on the Petrofac Inc. acquisition. See Business Recent Developments . We will not receive any of the proceeds from the shares sold by the selling shareholders.
NYSE symbol	CBI(4)

(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 1,198,777 shares.

(2) The number of shares of common stock outstanding after this offering is based on the number of shares outstanding as of March 31, 2003 and excludes 7,572,841 shares reserved for issuance under our employee compensation and stock plans, of which options to purchase 4,837,989 shares at a weighted-average exercise price of $10.01 are outstanding as of March 31, 2003.

(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.

(4) Application will be made to list the shares sold by us on the NYSE.

Summary Consolidated Financial 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. The financial data for the three months ended March 31, 2003 and 2002 have been derived from our unaudited consolidated financial statements, which were prepared on the same basis as our audited financial statements and include, in our opinion, all adjustments (including normal recurring adjustments) necessary to present fairly the information presented for the interim periods. Interim results may not be indicative of those at year-end. 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.

	Three Months Ended March 31,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
INCOME STATEMENT DATA							
Revenues	$322,309	$259,272	$1,148,478	$1,081,824	$611,691	$674,386	$775,692
Cost of revenues	282,648	224,182	992,927	945,048	542,721	596,695	703,351
Gross profit	39,661	35,090	155,551	136,776	68,970	77,691	72,341
Selling and administrative expenses	19,198	17,907	73,155	67,519	41,913	48,997	46,471
Intangibles amortization	638	626	2,529	5,819	599	514	500
Other operating income, net(1)	(136)	(419)	(1,818)	(691)	(2,401)	(2,788)	(991)
Exit costs/special charges(2)		1,159	3,972	9,686	55,664		
Income (loss) from operations	19,961	15,817	77,713	54,443	(26,805)	30,968	26,361
Interest expense	(1,687)	(1,813)	(7,114)	(8,392)	(5,187)	(2,980)	(3,488)
Interest income	466	346	1,595	1,854	430	766	1,616
Income (loss) before taxes and minority interest	18,740	14,350	72,194	47,905	(31,562)	28,754	24,489
Income tax (expense) benefit	(5,611)	(4,018)	(20,233)	(13,480)	4,859	(8,061)	(7,347)
Income (loss) before minority interest	13,129	10,332	51,961	34,425	(26,703)	20,693	17,142
Minority interest in income	(365)	(74)	(1,812)	(2,503)	(1,341)	(1,171)	(105)
Income (loss) from continuing operations	12,764	10,258	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)	$ 12,764	$ 10,258	$ 50,149	$ 19,703	$ (33,775)	$ 18,384	$ 17,037

PER SHARE DATA(2)(4)(5)							
Net income (loss) basic							
Income (loss) from continuing operations	$ 0.29	$ 0.24	$ 1.16	$ 0.74	$ (1.49)	$ 0.89	$ 0.70
Loss from discontinued operations				(0.28)	(0.31)	(0.05)	
Net income (loss)	$ 0.29	$ 0.24	$ 1.16	$ 0.46	$ (1.80)	$ 0.84	$ 0.70
Net income (loss) diluted							
Income (loss) from continuing operations	$ 0.28	$ 0.24	$ 1.12	$ 0.71	$ (1.49)	$ 0.87	$ 0.70
Loss from discontinued operations				(0.27)	(0.31)	(0.05)	
Net income (loss)	$ 0.28	$ 0.24	$ 1.12	$ 0.44	$ (1.80)	$ 0.82	$ 0.70
Dividends	$ 0.04	$ 0.03	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.12

	Three Months Ended March 31,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
BALANCE SHEET DATA							
Goodwill	159,509	147,229	157,903	138,444	132,426	18,010	18,051
Total assets	751,193	634,038	740,436	648,265	538,415	336,773	348,709
Long-term debt	75,000	75,000	75,000	75,000	101,800	25,000	5,000
Total shareholders equity	294,442	221,494	282,147	212,223	155,747	104,410	101,656
CASH FLOW DATA							
Cash flows from operating activities	$ 5,627	$ (5,518)	$ 72,030	$ 105,796	$ 4,085	$ 22,461	$ 50,824
Cash flows from investing activities	(8,618)	(4,988)	(36,957)	(35,775)	(65,567)	(8,911)	(2,142)
Cash flows from financing activities	(705)	(432)	16,985	(27,034)	50,618	(779)	(53,286)
OTHER FINANCIAL DATA							
Gross profit percentage	12.3%	13.5%	13.5%	12.6%	11.3%	11.5%	9.3%
New business taken(6)	$ 324,744	$424,241	$1,641,128	$1,160,374	$680,776	$712,973	$760,989
Backlog(6)	1,306,278	996,670	1,310,987	835,255	597,350	507,472	507,783
Capital expenditures	8,539	2,678	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.

RISK FACTORS

You should carefully consider the following risks and uncertainties 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, Creating Potential Liquidity Issues and Possible Under-Utilization of our Assets.

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 assets and reduce our 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 reduce our cash flows and necessitate increased borrowings under our credit facilities (the annual debt service on our currently outstanding debt is $5.5 million). Finally, the winding down or completion of work on significant projects that were active in previous periods will reduce our revenues and earnings 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. In addition to being unable to recover certain direct costs, cancelled projects may also result in additional unrecoverable costs due to the resulting under-utilization of our assets.

Our Revenues and Earnings May be Adversely Affected by a Reduced 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. In addition, changing taxes, price controls and certain laws and regulations may reduce the level of activity in the hydrocarbon industry. These factors are beyond our control. Reduced activity in the hydrocarbon industry would result in a reduction of our revenues and earnings and possible under-utilization of our assets.

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, 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 negatively impact our cash flow and earnings.

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.

Political instability risks may arise from time to time on a country by country (not geographic segment) basis where we happen to have a large active project. Having reduced our current activity in Venezuela to a low level and having no current projects in Iraq, we do not believe we have any material risks at the present time attributable to political instability.

We Are Exposed to Possible Losses from Foreign Exchange Risks.

We are exposed to market risk from changes in foreign currency exchange rates. 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 may incur losses from foreign currency exchange rate fluctuations if we are unable to convert foreign currency in a timely fashion. We seek to minimize the risks from these foreign currency exchange rate fluctuations through a combination of contracting methodology and, when deemed appropriate, limited use of foreign currency forward contracts. Regional differences have little bearing on how we view or handle our currency exposure, as we approach all these activities in the same manner. We do not use financial instruments for trading or speculative purposes. See Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosure About Market Risk.

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 incur significant losses if we are not 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 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. We are also exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such substances or materials.

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 you that our operations will continue to comply with future laws and regulations or that these laws and regulations will not cause us to incur significant costs or adopt more costly methods of operation.

In connection with the historical operation of our facilities, substances which currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. 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 or fall below applicable deductibles. Even a partially uninsured claim, if successful and of significant magnitude, could cause us to suffer a significant loss and reduce cash available for our operations.

Certain Remedies Ordered in a Federal Trade Commission Proceeding Could Adversely Affect Us.

On October 25, 2001, the U.S. Federal Trade Commission (the FTC or the Commission) announced its decision to file an administrative complaint (the Complaint) challenging our February 2001 acquisition of certain assets of the Engineered Construction Division of Pitt-Des Moines, Inc. (PDM) that we acquired together with certain assets of the Water Division of PDM (the Engineered Construction and Water Divisions of PDM are referred to in this prospectus as the PDM Divisions). The FTC s Complaint alleged that our acquisition of these assets violated Section 7 of the Clayton Antitrust Act and Section 5 of the Federal Trade Commission Act by threatening to substantially lessen competition in four specific markets in which both we and PDM had competed in the United States: liquefied natural gas storage tanks and associated facilities constructed in the United States; liquefied nitrogen, liquefied oxygen and liquefied argon storage tanks constructed in the United States; liquified petroleum gas storage tanks constructed in the United States; and field erected thermal vacuum chambers (used for the testing of satellites) constructed in the United States. The FTC s Complaint asserted that the consequence of the acquisition will be increased prices in these four markets.

A trial before an FTC Administrative Law Judge was concluded on January 16, 2003. On June 12, 2003, the FTC Administrative Law Judge issued his ruling. The ruling found that our acquisition of PDM assets threatens to substantially lessen competition in the four markets identified above in which both CB&I and PDM participated. As a result of this finding by the FTC Administrative Law Judge, we have been ordered to divest within 180 days of a final order all physical assets, intellectual property and any uncompleted construction contracts of the PDM Divisions that we acquired from PDM to a purchaser approved by the FTC that is able to utilize those assets as a viable competitor.

We believe that the FTC Administrative Law Judge s ruling is inconsistent with the law and the facts presented at trial. Therefore, we presently intend to appeal the ruling to the full Federal Trade Commission and, if necessary, the appropriate federal appellate courts. While the timing of an appeal is always uncertain, we expect our appeal of the FTC Administrative Law Judge s ruling will be presented to the Commission and decided by early 2004. To the extent we do not prevail in that appeal, we also presently intend to appeal the ruling to the United States Circuit Court of Appeals, from which we would not expect a final decision until early in 2005. The FTC order does not become final until we have exhausted our appeals.

While we are unable to predict the outcome of any such appeal and we are still evaluating the impact of the divestiture ordered by the judge, we expect the impact on our earnings during the appeal process will be minimal. However, if the judge s ruling is substantially upheld on appeal, the remedies ordered by the FTC Administrative Law Judge could have an adverse effect on us, including an expense relating to a potential write-down of the net book value of the divested assets.

We Are and Will Continue to be Involved in Litigation That Could Negatively Impact Our Earnings and Financial Condition.

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. 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 or fall below applicable deductibles. Even a partially uninsured claim, if successful and of significant magnitude, could cause us to suffer a significant loss and reduce cash available for our operations.

Uncertainty in Enforcing United States Judgments Against Netherlands Corporations, Directors and Others Could Create Difficulties for Holders of Our Securities.

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.

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 first quarter of 2003, the average daily trading volume for our common stock as reported by the NYSE was approximately 131,370 shares. 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.

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 19.0% of our outstanding common shares and WEDGE Engineering B.V. (WEDGE Engineering), an affiliate of WEDGE Group Incorporated (WEDGE), will own approximately 4.4% 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 19.0% and WEDGE with 4.4% will own in excess of 23% 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 approximately 2,161,530 shares of common stock (based on their holdings on March 1, 2003 and without attributing the shares held by First Reserve to Mr. Guill) 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 Mr. Glenn, one of the selling shareholders, 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.

The shares being offered for sale by First Reserve and WEDGE Engineering are included in this offering pursuant to a demand registration request of First Reserve under its current shareholder agreement and pursuant to a piggyback registration request of WEDGE Engineering under a surviving provision of its terminated shareholder agreement. After this offering, First Reserve will hold 8,621,790 shares of our common stock (assuming no exercise of the underwriters over-allotment option) and WEDGE Engineering will own 2,000,000 shares. Following the expiration of their 90-day lock-up agreements, First Reserve and WEDGE Engineering under such shareholder agreements have additional respective 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.

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 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. In addition to the material risks listed under Risk Factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by any forward-looking statements, the following factors could also cause our results to differ from such statements:

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 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, after the offer and sale of these securities. You should consider these risks when reading any forward-looking statements.

USE OF PROCEEDS

We will receive proceeds of approximately $, at the offering price of $ per share, which are net of underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use these proceeds for general corporate purposes, including payment of the remaining consideration owed on the Petrofac Inc. acquisition. See Business Recent Developments .

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 First Reserve and WEDGE, except for (i) any sales commissions or discounts, (ii) any applicable transfer taxes and (iii) fees and disbursements of counsel to First Reserve and WEDGE. For information about the selling shareholders, see Principal and 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).

	High	Low	Dividends Per Share
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	$17.65	$14.25	$0.04
Second Quarter (through June 12, 2003)	25.00	16.16	0.04

On June 12, 2003, the last selling price of the common stock as reported on the NYSE was $22.50 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 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.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2003 on an actual basis and on an as adjusted basis to reflect our sale of 1,000,000 shares of common stock and receipt of the estimated net proceeds therefrom. 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.

	As of March 31, 2003	
	Actual	As Adjusted(1)
	(In thousands)	
Cash:	$ 98,840	$ 120,940
Debt:		
Senior notes	$ 75,000	$ 75,000
Revolving credit agreement		
Short-term debt	19	19
Total debt	$ 75,019	$ 75,019
Shareholders equity:		
Common stock, Euro 0.01 par value; authorized: 80,000,000, issued: 44,565,172 and outstanding: 44,456,725(2)	$ 450	$ 460
Additional paid-in capital	244,733	266,823
Retained earnings	78,812	78,812
Stock held in trust(3)	(11,690)	(11,690)
Treasury stock, at cost: 108,447 shares	(1,392)	(1,392)
Accumulated other comprehensive loss	(16,471)	(16,471)
Total shareholders equity	294,442	316,542
Total capitalization	$ 369,461	$ 391,561

(1) Reflects our sale of 1,000,000 shares of common stock at an assumed price of $22.50 per share (the closing price on June 12, 2003) and estimated offering expenses payable by us of $400,000.

(2) Excludes 7,572,841 shares of common stock reserved for issuance pursuant to our employee compensation and stock plans, including, as of March 31, 2003, outstanding options for the purchase of 4,837,989 shares.

(3) See Note 14 to our Consolidated Financial Statements for the years ended December 31, 2002 and 2001 included elsewhere in this prospectus.

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. The financial data for the three months ended March 31, 2003 and 2002 have been derived from our unaudited consolidated financial statements, which were prepared on the same basis as our audited financial statements and include, in our opinion, all adjustments (including normal recurring adjustments) necessary to present fairly the information presented for the interim periods. Interim results may not be indicative of those at year-end. 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.

	Three Months Ended March 31,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
			(In thousands, except share and employee data)				
INCOME STATEMENT DATA							
Revenues	$322,309	$259,272	$1,148,478	$1,081,824	$611,691	$674,386	$775,692
Cost of revenues	282,648	224,182	992,927	945,048	542,721	596,695	703,351
Gross profit	39,661	35,090	155,551	136,776	68,970	77,691	72,341
Selling and administrative expenses	19,198	17,907	73,155	67,519	41,913	48,997	46,471
Intangibles amortization	638	626	2,529	5,819	599	514	500
Other operating income, net(1)	(136)	(419)	(1,818)	(691)	(2,401)	(2,788)	(991)
Exit costs/special charges(2)		1,159	3,972	9,686	55,664		
Income (loss) from operations	19,961	15,817	77,713	54,443	(26,805)	30,968	26,361
Interest expense	(1,687)	(1,813)	(7,114)	(8,392)	(5,187)	(2,980)	(3,488)
Interest income	466	346	1,595	1,854	430	766	1,616
Income (loss) before taxes and minority interest	18,740	14,350	72,194	47,905	(31,562)	28,754	24,489
Income tax (expense) benefit	(5,611)	(4,018)	(20,233)	(13,480)	4,859	(8,061)	(7,347)
Income (loss) before minority interest	13,129	10,332	51,961	34,425	(26,703)	20,693	17,142
Minority interest in income	(365)	(74)	(1,812)	(2,503)	(1,341)	(1,171)	(105)
Income (loss) from continuing Operations	12,764	10,258	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)	$ 12,764	$ 10,258	$ 50,149	$ 19,703	$ (33,775)	$ 18,384	$ 17,037

PER SHARE DATA(2)(4)(5)							
Net income (loss) basic							
Income (loss) from continuing operations	$ 0.29	$ 0.24	$ 1.16	$ 0.74	$ (1.49)	$ 0.89	$ 0.70
Loss from discontinued operations				(0.28)	(0.31)	(0.05)	
Net income (loss)	$ 0.29	$ 0.24	$ 1.16	$ 0.46	$ (1.80)	$ 0.84	$ 0.70
Net income (loss) diluted							
Income (loss) from continuing operations	$ 0.28	$ 0.24	$ 1.12	$ 0.71	$ (1.49)	$ 0.87	$ 0.70
Loss from discontinued operations				(0.27)	(0.31)	(0.05)	
Net income (loss)	$ 0.28	$ 0.24	$ 1.12	$ 0.44	$ (1.80)	$ 0.82	$ 0.70
Dividends	$ 0.04	$ 0.03	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.12

	Three Months Ended March 31,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(In thousands, except share and employee data)						
BALANCE SHEET DATA							
Goodwill	$ 159,509	$ 147,229	$ 157,903	$ 138,444	$ 132,426	$ 18,010	$ 18,051
Total assets	751,193	634,038	740,436	648,265	538,415	336,773	348,709
Long-term debt	75,000	75,000	75,000	75,000	101,800	25,000	5,000
Total shareholders equity	294,442	221,494	282,147	212,223	155,747	104,410	101,656
CASH FLOW DATA							
Cash flows from operating activities	$ 5,627	$ (5,518)	$ 72,030	$ 105,796	$ 4,085	$ 22,461	$ 50,824
Cash flows from investing activities	(8,618)	(4,988)	(36,957)	(35,775)	(65,567)	(8,911)	(2,142)
Cash flows from financing activities	(705)	(432)	16,985	(27,034)	50,618	(779)	(53,286)
OTHER FINANCIAL DATA							
Gross profit percentage	12.3%	13.5%	13.5%	12.6%	11.3%	11.5%	9.3%
Capital expenditures	$ 8,539	$ 2,678	$ 23,927	$ 8,917	$ 6,353	$ 13,379	$ 12,249
OTHER DATA							
Number of employees:							
Salaried	2,233	2,091	2,152	2,054	1,676	1,371	1,525
Hourly and craft	5,051	5,688	4,770	5,204	3,618	4,257	4,928
New business taken(6)	$ 324,744	$ 424,241	$ 1,641,128	$ 1,160,374	$ 680,776	$ 712,973	$ 760,989
Backlog(6)	1,306,278	996,670	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.

(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.

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 as to 2002 versus 2001 supersedes the management s discussion in our 2002 Annual Report on Form 10-K and 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

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	%
New Business Taken*				
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%
Revenues				
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%
Income (Loss) From Operations				
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.

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002

New Business Taken/ Backlog. For the three months ended March 31, 2003, new business taken was $324.7 million compared with $424.2 million in 2002. The Qatif 2 gas/oil separation plant project in Saudi Arabia, valued at $105 million, was awarded in the first quarter of 2002, while there were no awards of this magnitude in the first quarter of 2003. New contracts during the quarter included an award for a butane storage facility in China and three clean fuels-related projects in the United States. Backlog at March 31, 2003 stood at $1.3 billion compared with $997 million at the end of the first quarter of 2002 and $1.3 billion at year-end 2002.

Revenues. Revenues for the first quarter of 2003 grew 24% to $322.3 million from $259.3 million in the first quarter of 2002. Revenues increased substantially in the Europe, Africa, Middle East and the Asia Pacific segments, due primarily to the strong backlog going into the year, with large projects now under way in Saudi Arabia and Australia. Revenues increased in the North America segment due mainly to a higher volume of process-related work, but declined in the Central and South America segment as a result of lower new awards during 2002 in certain Latin American markets.

Gross Profit. Gross profit for the three months ended March 31, 2003 was $39.7 million, or 12.3% of revenues, compared with $35.1 million, or 13.5% of revenues, in 2002. Gross margin performance was consistent with as-sold margins, but slightly lower than the previous year due to the mix of projects being executed in the first quarter.

Selling and Administrative Expenses. Selling and administrative expenses for the three months ended March 31, 2003 were $19.2 million, or 6.0% of revenues, compared with $17.9 million, or 6.9% of revenues, in the comparable 2002 period.

Exit and Disposal Costs. No exit or disposal cost activities were initiated in the first quarter of 2003. During the first quarter of 2002, we incurred exit costs of $1.2 million, consisting mainly of moving-related and severance costs in connection with the relocation of our administrative office from Illinois to Texas.

Income from Operations. Income from operations for the first quarter of 2003 increased 26% to $20.0 million from $15.8 million in the prior year quarter. North America segment results increased primarily as a result of a higher volume of process-related work and good project performance in the industrial storage business. Increased revenues in the Europe, Africa, Middle East segment combined with strong project execution enabled the region to post significantly improved operating income. The Asia Pacific segment posted strong operating results in the first quarter compared with a loss in the prior year, as improved results in Australia and new work in China more than offset weak economic conditions in the rest of Southeast Asia. Operating income decreased in the Central and South America segment, reflecting lower revenues.

Net Income. Net income for the first quarter of 2003 was $12.8 million, or $0.28 per diluted share, compared with $10.3 million, or $0.24 per diluted share, for the first quarter of 2002.

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.

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 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. As of December 31, 2002, we had U.S. net operating loss carryforwards (NOLs) of approximately $20.3 million, $18.3 million of which are subject to limitation under Code Section 382. The U.S. NOLs will expire from 2012 to 2021.

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 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

Three Months Ended March 31, 2003

At March 31, 2003, cash and cash equivalents equaled $98.8 million. During the first quarter of 2003, our operations generated $5.6 million of cash flows, attributable to strong profitability. The overall positive cash flow was partially offset by payments to fund incentive compensation and employee benefit programs.

In the first quarter of 2003, we expended $8.5 million for capital expenditures, which included $4.8 million for the construction costs of our new administrative office in Texas. Additionally, we reported proceeds of $0.4 million related to the sale of property and equipment. Our utilization of cash also included $0.5 million to purchase the remaining 50% interest in our CBI Sino Thai, Ltd subsidiary. Subsequent to March 31, 2003, we purchased certain assets of Petrofac Inc. for approximately $25.6 million. We paid $10.0 million of cash at closing and agreed to pay $7.9 million on the earlier of the completion of this offering or June 27, 2003, and the remaining $7.7 million in various installments prior to May 2004.

In connection with our acquisition of Howe-Baker, we assumed two earnout arrangements, which are contingent upon the performance of the underlying acquired entities, that have and will continue to require us to make cash payments to the previous owners. One of the arrangements expires in July 2004 while the other arrangement was scheduled to expire on or before December 31, 2008, subject to certain of our call rights and the put rights of the previous owners. On April 30, 2003, we notified the previous owners relating to one of these earnout arrangements of our intent to exercise our call option to settle the earnout obligation recognized through December 31, 2002 and limit the remaining earnout period to expire on December 31, 2005, with a final cash payment by June 2006. If the call option is exercised, we will be required to make a $12.6 million cash payment in June 2003 to settle the earnout obligation recognized through December 31, 2002. At March 31, 2003, our total contingent earnout obligations totaled $11.2 million, of which $9.9 million is reported in minority interest in subsidiaries and $1.3 million is reported in accrued liabilities. Consistent with the provisions of SFAS No. 141, Business Combinations , any additional purchase consideration will be allocated to goodwill when recognized. 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.

Net cash flows utilized for financing activities were $0.7 million. $1.8 million was utilized for cash dividends.

Our primary internal source of liquidity is cash flow generated from operations. Included in the contracts in progress accounts at December 31, 2002 and 2001 were contract retentions totaling $27.8 million and $30.9 million, respectively. We anticipate that substantially all retentions will be billed and collected over the next twelve months. 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 facility which terminate in August 2006 and August 2003, respectively. Both facilities are committed and unsecured. As of March 31, 2003, no direct borrowings existed under either facility, but we had issued $73.1 million of letters of credit under the four-year facility. As of March 31, 2003, we had $101.9 million of available capacity under these facilities for future operating or investing needs. The facilities contain certain restrictive covenants, including minimum levels of net worth, interest coverage, fixed charge and leverage ratios, among other restrictions. The facilities also place restrictions on us with regard to subsidiary indebtedness, sales of assets, liens, investments, type of business conducted, and mergers and acquisitions, among other restrictions. Our $75 million of senior notes also contain a number of restrictive covenants, including minimum levels of net worth and debt and fixed charge ratios, among other restrictions. The notes also place restrictions on us with regard to investments, other debt, subsidiary indebtedness, sales of assets, liens, nature of business conducted and mergers, among other restrictions. We were in compliance with all covenants at March 31, 2003.

We also have various short-term, uncommitted revolving credit facilities across several geographic regions of approximately $215 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 March 31, 2003, we had available capacity of $84 million under these uncommitted facilities. In addition to providing letters of credit or bank guarantees, we also issue surety bonds in the ordinary course of business to support our contract performance.

As of March 31, 2003, the following commitments were in place to support our ordinary course obligations:

	Amounts of Commitments by Expiration Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
			(In thousands)		
Letters of Credit/ Bank Guarantees	$204,117	$ 96,383	$ 92,312	$15,385	$ 37
Surety Bonds	319,990	267,042	52,923	25	
Total Commitments	$524,107	$363,425	$145,235	$15,410	$ 37

Note: Includes $17,808 of letters of credit and surety bonds issued in support of our insurance program.

For the remainder of 2003, capital expenditures are anticipated to be in the $22.5 to $27.5 million range, which includes approximately $12.0 million for completion of our new administrative office. 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. However, there can be no assurance 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 can be no assurance that such a facility will be available at reasonable terms to service our ordinary course obligations.

Antitrust Proceedings On October 25, 2001, the U.S. Federal Trade Commission announced its decision to file an administrative complaint challenging our February 2001 acquisition of certain assets of the Engineered Construction Division of PDM. See Business Legal Proceedings .

Other Proceedings We are a defendant in a number of lawsuits arising in the normal course of business, including among others, lawsuits wherein plaintiffs allege exposure to asbestos due to work we may have performed at various locations. We have never been a manufacturer, distributor or supplier of asbestos products, and we have in place appropriate insurance coverage for the type of work that we have performed. To date, we have been able to dismiss or settle all such claims without a material impact on our operating results or financial position (including an approximately $1 million accrual recorded during the quarter ended March 31, 2003) and do not currently believe that the asserted claims will have a material adverse effect on our future results of operations or financial position.

Year Ended December 31, 2002

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. In connection with our acquisition of Howe-Baker, we assumed two earnout arrangements, which are contingent upon the performance of the underlying acquired entities, that have and will continue to require us to make cash payments to the previous owners. One of the arrangements expires in July 2004, while the other arrangement expires on or before December 31, 2008, subject to certain of our call rights and the put rights of the previous owners. During 2002, we made a $7.6 million payment that was based upon the favorable performance of one of the entities from July 1999 to July 2002. At December 31, 2002, our total contingent earnout obligations totaled $9.5 million, of which $9.0 million is reported in minority interest in subsidiaries, and $0.5 million is reported in accrued liabilities. Consistent with the provisions of SFAS No. 141, Business Combinations, the additional purchase consideration is allocated to goodwill when recognized.

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.

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

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

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				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
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
Total Contractual Obligations	$152,184	$16,480	$48,262	$64,146	$23,296

(1) Excludes interest accruing at a rate of 7.34%, which is payable semi-annually in January and July.

(2) Excludes interest accruing at a rate of 7.50%, which is payable annually in December.

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. One exposure to fluctuating exchange rates relates to the effects of translating the financial statements of our foreign subsidiaries, which are denominated in currencies other than the U.S. dollar, into the U.S. dollar. The foreign currency translation adjustments are recognized in shareholders equity in accumulated other comprehensive income (loss) as cumulative translation adjustment, net of tax. We generally do not hedge our exposure to potential foreign currency translation adjustments.

Another form of foreign currency exposure relates to our foreign subsidiaries normal contracting activities. We generally try to limit our exposure to foreign currency fluctuations in most of our engineering and construction contracts through provisions that require client payments in U.S. dollars or other currencies corresponding to the currency in which costs are incurred. As a result, we generally do not need to hedge foreign currency cash flows for contract work performed.

In certain circumstances, we use forward exchange contracts to hedge foreign currency transactions where construction contracts do not contain foreign currency provisions, where intercompany loans and or borrowings are in place with non-U.S. subsidiaries, or the transaction is for a non-contract-related expenditure. If the timing or amount of foreign-denominated cash flows varies, we incur foreign exchange gains or losses, which are included in the consolidated statements of income. We do not use financial instruments for trading or speculative purposes.

We maintain operations and have construction projects in Venezuela, which experienced negative political and economic conditions during 2002. As a result, the Venezuelan bolivar devalued more than 85% against the U.S. dollar in 2002, and is currently subject to trading restrictions. As of December 31, 2002, we had $5.7 million of net assets in Venezuela that are subject to foreign currency translation adjustments. As noted above, the exposure on our construction projects is generally limited by contractual provisions. However, we will continue to face currency exposure on our net assets.

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.

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.

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 March 31, 2003 was $159.5 million.

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

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, 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 March 31, 2003. 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 over the past three years 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.

Recent Developments

On April 29, 2003, we acquired certain assets of Petrofac Inc., an EPC company serving the hydrocarbon processing industry, for consideration of $25.6 million. $10 million of the consideration was paid at closing, $7.9 million will be due on the earlier of the completion of this offering or June 27, 2003, and the remaining $7.7 million will be due in various installments prior to May 2004. The acquired operations, including approximately 230 employees located in facilities in Tyler, Texas, will be fully integrated with our process and technology group and will expand our capacity to engineer, fabricate and install EPC projects for the oil refining, oil production, gas treating and petrochemical industries.

On May 30, 2003, we acquired certain assets of John Brown Hydrocarbons Limited for cash consideration of approximately $30 million and the assumption of certain liabilities. John Brown provides comprehensive engineering, program and construction management services in the offshore, onshore and pipeline sectors of the hydrocarbon industry, as well as for LNG terminals and flue gas desulfurization plants. John Brown has more than 600 employees in offices in London, Moscow, the Caspian Region and Canada, and generated revenues of approximately £47,519,000 in 2002. This acquisition will expand our presence in geographic areas with significant growth potential, in particular Russia, the Middle East and the Caspian Sea and expand our capabilities into the upstream oil and gas sector.

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. Our acquisitions over the past three years, including the acquisition of Howe-Baker, have 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 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 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 Our Acquisitions. Our acquisitions over the past three years have broadened our capabilities and resources to meet customer needs in our end markets. We expect to expand our Howe-Baker business significantly, particularly outside the United States, by leveraging its process capabilities across our global sales and execution platform. We will also focus on imparting best practices and technologies from each acquired 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. 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 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_2S and CO_2, 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, 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, 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.

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 March 31, 2003 and December 31, 2002. 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
Total New Business Taken	$1,641,128	$1,160,374

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.

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 under long-term agreements. We do not anticipate having difficulty obtaining adequate amounts of raw materials in the foreseeable future. However, the price of metal plate and structural steel may vary significantly from year to year due to various factors, including producer capacity, customer demand and imposition of U.S. tariffs on imported steel. For example, prices of steel products purchased by us increased 11% from 2000 to 2001, declined 6% from 2001 to 2002, and were stable from the end of 2002 through March 31, 2003.

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. This exposes us to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such substances or wastes.

In connection with the historical operation of our facilities, substances which currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. In addition, we have agreed to indemnify parties to whom we have sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred. We are not aware of any manifestation by a potential claimant of its awareness of a possible claim or assessment with respect to any such facility.

We believe that we are currently in compliance, in all material respects, with all environmental laws and regulations. We do not anticipate that we will incur material capital expenditures for environmental controls or for investigation or remediation of environmental conditions during this year or next year.

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