The expected upturn in the hydrocarbon industry will present many opportunities for growth. At Chicago Bridge & Iron Company N.V., we operate as though the future is now. Already a global leader in the engineering and construction of steel plate storage structures and their associated systems, we are taking active steps to add to our capabilities so we can capitalize on market potential.
Chicago Bridge & Iron Company N.V. is a global engineering and construction company specializing in the design and engineering, fabrication, field erection and repair of bulk liquid terminals, storage tanks, process vessels, low temperature and cryogenic storage facilities and other steel plate structures and their associated systems. Howe-Baker International, L.L.C., a CB&I subsidiary, is a global technology company specializing in the engineering and construction of hydrocarbon processing plants for customers in the refining, petrochemical and natural gas industries.

Howe-Baker International, L.L.C.
The growing worldwide demand for energy will drive future growth in the hydrocarbon industry. Howe-Baker International’s success in designing and constructing hydrocarbon processing plants for customers in the refining, petrochemical and natural gas processing industries makes it a perfect addition to CB&I’s scope of services.
CB&I and Howe-Baker are combining to create a premier worldwide engineering and construction company that can capture an increasing share of global energy infrastructure, including the growing need for natural gas processing. Like CB&I, Howe-Baker has an excellent reputation and strong name recognition within the industry, and with parallel investment appeal. It is a well-run company operating in targeted markets with highly profitable businesses, a strong management team and a culture that is a perfect fit with CB&I. The combination of Howe-Baker and CB&I creates a growth company that can expand into new markets while leveraging the industry upturn over a larger business.

Gerald M. Glenn, Chairman, President and CEO of Chicago Bridge & Iron Company N.V.

**SYNERGY**

CB&I and Howe-Baker are combining to create a premier worldwide engineering and construction company that can capture an increasing share of global energy infrastructure, including the growing need for natural gas processing. Like CB&I, Howe-Baker has an excellent reputation and strong name recognition within the industry, and with parallel investment appeal. It is a well-run company operating in targeted markets with highly profitable businesses, a strong management team and a culture that is a perfect fit with CB&I. The combination of Howe-Baker and CB&I creates a growth company that can expand into new markets while leveraging the industry upturn over a larger business.

Ronald Brazzel, President and CEO of Howe-Baker International, L.L.C.

Over the years, CB&I has developed a number of key strengths that differentiate the company from our competitors and enhance our core capabilities in the engineering and execution of projects around the world. Our recent acquisitions of Howe-Baker International and the Water and Engineered Construction Divisions of Pitt-Des Moines, Inc. reinforce and extend these strengths in ways we believe will benefit our customers and improve our competitiveness.
INNOVATION

CB&I + HBI:
Sharing a heritage of innovation
in products and processes
Technical Capability:

Chicago Bridge & Iron has developed a reputation for product innovation ever since we introduced the first floating roof tank to the petroleum industry in 1923. This reputation is built on the outstanding technical capabilities of our global engineering staff. Many of our senior engineers sit on committees that have helped to develop the petroleum and water industry operating standards used worldwide. In addition, CB&I’s field execution productivity is constantly improving through the development of new erection techniques. An example is our CoilBuild™ process, a proprietary technique that provides on-site fabrication and erection of cylindrical tank shells directly from coil steel. The CoilBuild process produces a tank with enhanced quality, appearance and cleanliness characteristics, while improving safety and shortening the production schedule.

Howe-Baker enjoys a similar legacy of innovative technologies, beginning with the development of its two-grid electrical desalters in 1947. Howe-Baker’s customers rely on our skilled process engineers to help them select the best technology, develop the most effective designs, and deliver the highest quality processes to help them achieve their throughput and optimization goals. In this project Howe-Baker provided a two-stage EDGE® (Enhanced Deep-Grid Electrical) desalter for Shell Deer Park Refining Company’s refinery near Houston, Texas. The proprietary EDGE desalter utilizes electrostatic coalescing for the efficient removal of water soluble chloride salts and other impurities from crude oil. The EDGE design provides superior dehydration/desalting efficiency for difficult feedstocks such as the heavy Mayan crude that is processed in this unit.
Key Strength:

GLOBAL

CB&I + HBI:
Providing the latest technology on a worldwide scale
Our ability to mobilize equipment, material and manpower to self-perform field construction of our projects virtually anywhere in the world makes CB&I unique in the Engineering & Construction industry. These are skills on which our customers have come to rely, as exemplified in this crude oil transshipment terminal on the island of St. Eustatius in the Netherlands Antilles. The island location, topography and plant operational requirements made this a challenging project. A key to its successful completion was our ability to manage continuous redefinition of the project’s technical requirements and scope, given the remote site and complex operating conditions.

Revenue growth from our acquisition of Howe-Baker is expected to be significant as we leverage Howe-Baker’s process technologies over CB&I’s global sales and execution infrastructure. An area of particular interest is natural gas processing, where worldwide demand for power generation is driving increased spending for exploration and production. Howe-Baker’s capabilities in natural gas are evident in this project for Duke Energy Field Services in Hallettsville, Texas. The project scope included turnkey design, engineering and construction of a 200 million standard cubic feet per day turbo-expander plant with 89% ethane recovery.
EXECUTION

Key Strength:

CB&I + HBI:
Offering concept-to-commissioning project capability
Complete Turnkey Capabilities:

Few engineering and construction companies can deliver a project from conception to commissioning, and include in that package conceptual design, detail engineering, procurement, fabrication, field erection, mechanical installation, start-up assistance and even operator training if needed. Chicago Bridge & Iron consistently delivers turnkey projects for our customers, as demonstrated in this liquefied natural gas (LNG) peak shaving facility built for a utility company in Memphis, Tennessee. Our comprehensive work scope for this facility included the liquefaction system, LNG storage tank, sendout system, plant emergency power generators for vaporization, fire and hazard detection and protection systems, and related utility support systems.

Howe-Baker prides itself on providing single-source responsibility from engineering through construction, enabling us to serve the best interests of plant owners. Our years of experience in fixed-price supply lead to aggressive schedules and work plans that meet the needs of our customers, while assuring optimum quality and reliability. For large turnkey facilities, the combined CB&I and Howe-Baker construction and commissioning services provide unparalleled worldwide capability for field installation and commissioning support. At Suncor Energy’s oil sands processing plant in Fort McMurray, Alberta, Canada, Howe-Baker is providing all engineering, procurement and construction advisory services for a world-scale 90 million standard cubic feet per day hydrogen plant. The new unit will provide high purity hydrogen for use in hydrotreating operations.
Key Strength:

VALUE

CB&I + HBI:
Controlling costs through fixed-price project delivery
Fixed-Price Contractor:

Except in projects like refinery turnarounds, where the scope of work is not clearly defined, Chicago Bridge & Iron is a fixed-price, lump sum contractor. Years of experience in estimating and project management, combined with our knowledge of international logistics and execution, enable us to define and control the risks of fixed-price contracts. Owners benefit from no surprises and better schedule performance. For this project in East Chicago, Indiana, CB&I executed a fixed-price contract to design and construct a double-wall sphere for the storage of liquid hydrogen with a stainless steel inner shell and carbon steel outer shell, separated by an evacuated, insulation-filled annular space.

Howe-Baker is on the forefront of project execution by specializing in a fixed-price contracting project philosophy. Our success with fixed-price supply of engineering and construction to the process industries is founded on our considerable experience and know-how, complemented by our innovation and technology-oriented focus. With in-house fabrication capabilities that bridge between engineering and field installation, Howe-Baker delivers efficient and cost-effective project execution. For this project at Williams Refining & Marketing, L.L.C.’s refinery in Memphis, Tennessee, Howe-Baker provided a fixed-price continuous catalyst regeneration naphtha reforming unit that produces high-octane material for gasoline blending, as well as hydrogen that is used in various refinery hydrotreating operations.
Key Strength:

RESPECTED

CB&I + PDM:
An outstanding reputation built from solid accomplishments
Industry Reputation:

As Henry Ford said, you can't build a reputation on what you are going to do. Chicago Bridge & Iron Company has built our reputation on what we have done for nearly 112 years—consistent, reliable project performance that meets or exceeds the expectations of our customers. It's a history of which we are quite proud, and one that we intend to carefully preserve and enhance in the future. Evidence of our reputation can be found in the popularity of CB&I's Waterspheroid®, our aesthetically pleasing elevated water tank that has been selected by hundreds of municipalities and industrial customers across the United States.

CB&I's acquisition of the Water and Engineered Construction Divisions of Pitt-Des Moines, Inc. unites us with businesses that enjoy a similar favorable reputation in the Engineering & Construction industry. Since 1897, the former PDM Water has provided water storage facilities for public water systems, municipal water supplies, fire protection and a host of other customers and uses. The PDM-design Hydropillar® water storage tank provides for storage of large quantities of water in a low head-range elevated storage tank. It has been constructed in capacities from 150,000 gallons to over 4 million gallons and at heights of over 200 feet. Combining the products and design capabilities of both companies, our new CB&I Water division now offers the most complete line of water storage systems in the United States.

Multipurpose Hydropillar® Elevated Storage Tank - Maryland, USA
CHICAGO BRIDGE & IRON COMPANY N.V. PRODUCT LINE

**MARKET POSITION APPLICATIONS**

- **CUSTOMERS**
  - **PETROLEUM & PETROCHEMICAL**
    - Oil and gas, refining, petrochemical and chemical industries
  - **WATER & WASTEWATER**
    - Petroleum, petrochemical and chemical industries; terminal operators; municipal water facilities
  - **CHEMICAL**
    - Petroleum, petrochemical and chemical industries; steelmakers; pulp and paper manufacturers
  - **NATURAL GAS**
    - Petroleum, petrochemical and chemical industries; import and export terminals
  - **POWER**
    - Municipalities and private industry
  - **PHARMACEUTICAL, FOOD & BEVERAGE**
    - Industrial, aerospace, utility and government customers
  - **METALS & MINING**
    - Petroleum, petrochemical and chemical industries; terminal operators
  - **OTHER**
    - Oil and gas, refining, petrochemical and chemical industries
  - **MICROELECTRONICS, WOOD, AEROSPACE**
    - Storage of crude oil, refined products, water, petroleum feedstocks, foodstuffs, turnkey terminal facilities
  - **SYNTHESIS GAS PRODUCTION**
    - Storage and handling of LPG, LNG, anhydrous ammonia and other refrigerated gases; complete turnkey systems
  - **PLANNED OR EMERGENCY SHUT-DOWNS**
    - Planned or emergency shut-downs for repair and maintenance of process equipment
  - **WATER STORAGE & TREATMENT**
    - Water storage, water and wastewater treatment
  - **AEROSPACE & SCIENTIFIC RESEARCH & TEST FACILITIES**
    - Aerospace and scientific research and test facilities, power generation plants, wastewater treatment
  - **REPARE & MODIFICATIONS**
    - Repair, maintenance and modification of flat bottom tanks and pressure vessels

- **APPLICATIONS**
  - **NEW BUSINESS TAKEN BY INDUSTRY FOR 2000**
    - Total: $1,183,600,000
    - (Includes results for CB&I and pro forma results for Howe-Baker and the PDM Water and Engineered Construction Divisions)

- **MARKET POSITION**
  - A North American market leader; growth opportunities outside the U.S.

**PRODUCT LINE**

- **PROCESS PLANTS**
  - Oil and gas, refining, petrochemical and chemical industries
- **ABOVEGROUND STORAGE SYSTEMS**
  - Petroleum, petrochemical, chemical, food and beverage industries; terminal operators; municipal water facilities
- **PRESSURE VESSELS**
  - Petroleum, petrochemical and chemical industries; steelmakers; pulp and paper manufacturers
- **REFRIGERATED STORAGE & PROCESS SYSTEMS**
  - Petroleum, petrochemical and chemical industries; steelmakers; pulp and paper manufacturers
- **TURNAROUNDS**
  - Petroleum, petrochemical and chemical industries; steelmakers; pulp and paper manufacturers
- **WATER SERVICES**
  - Municipalities and private industry
- **SPECIALTY & OTHER STRUCTURES**
  - Industrial, aerospace, utility and government customers
- **REPAIRS & MODIFICATIONS**
  - Industrial, aerospace, utility and government customers

**MARKET POSITION APPLICATIONS**

- **CUSTOMERS**
  - **PETROLEUM & PETROCHEMICAL**
    - Global market leader with more than 30,000 flat bottom tanks built worldwide
  - **WATER & WASTEWATER**
    - Global leader in storage spheres and large field-erected process vessels
  - **CHEMICAL**
    - Single-source supplier for turnkey systems worldwide; significant growth expected in LNG facilities
  - **NATURAL GAS**
    - One of the top suppliers in North America; growth expected with innovative new designs
  - **POWER**
    - Acknowledged technical expertise worldwide in all types of steel plate structures
  - **PHARMACEUTICAL, FOOD & BEVERAGE**
    - A leader in the U.S. through customer partnership programs; growth opportunities outside the U.S.
  - **METALS & MINING**
    - Acknowledged technical expertise worldwide in all types of steel plate structures
  - **MICROELECTRONICS, WOOD, AEROSPACE**
    - Acknowledged technical expertise worldwide in all types of steel plate structures
  - **SYNTHESIS GAS PRODUCTION**
    - Acknowledged technical expertise worldwide in all types of steel plate structures
  - **PLANNED OR EMERGENCY SHUT-DOWNS**
    - Acknowledged technical expertise worldwide in all types of steel plate structures
  - **WATER STORAGE & TREATMENT**
    - Acknowledged technical expertise worldwide in all types of steel plate structures
  - **AEROSPACE & SCIENTIFIC RESEARCH & TEST FACILITIES**
    - Acknowledged technical expertise worldwide in all types of steel plate structures
  - **REPARE & MODIFICATIONS**
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**MARKET POSITION APPLICATIONS**

- **CUSTOMERS**
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To participate in growth, one must be prepared for growth. At Chicago Bridge & Iron, we firmly believe that we are well positioned to take advantage of the sustained upturn that is beginning to take shape in our major end markets. We are excited about the potential for our company and the resultant rewards to our stakeholders. In this letter, I will outline the reasons for our confidence.

END MARKETS STRENGTHENING
The largest end market for CB&I’s products and services—comprising on average about 65% of annual revenues—is the hydrocarbon industry, including oil and gas and petrochemical producers. The growing worldwide demand for energy, coupled with higher average oil and natural gas prices, is spurring increased exploration and production activity. At the same time, new environmental regulations will require increased spending for process plant revamps and retrofits. Another significant end market for CB&I is municipal water, where growth also is predicted. For example:

- **Salomon Smith Barney’s (SSB) latest E&P Spending Survey** forecasts exploration and production (E&P) spending by oil and gas companies to grow by 19.7% or almost $20 billion in 2001, in what SSB characterizes as “the early stages of a multiyear growth phase.”

- **The International Energy Agency in its World Energy Outlook 2000** predicts that world energy consumption will grow 2% per year from now until 2020, and that fossil fuels (coal, oil and natural gas) will continue to provide 90% of the world’s primary energy.

- **The Energy Information Administration in its Annual Energy Outlook 2001** predicts that world oil demand is projected to increase from 75.5 million barrels per day (MMbpd) in 1999 to 117.4 MMbpd in 2020.

- **Overall demand for natural gas in the U.S. energy economy is projected to grow** by 2.3% per year, from 21.4 trillion cubic feet (Tcf) in 1999 to 34.7 Tcf in 2020, primarily as a result of rapid projected growth in demand for electricity generation, which is expected to triple between 1999 and 2020. The share of electricity generation fueled by natural gas is expected to increase from 16% in 1999 to 36% in 2020.
• Hydrocarbon Processing magazine in its HPI Market Data 2001 publication reports that “the long-term outlook for gas processing products is bright. More natural gas liquids will be needed to meet the growing freedstock demands of new and expanded petrochemical plants. Demand for LPG as a fuel in residential and commercial markets is growing, especially in developing countries. More LNG from energy-rich countries will be used to satisfy the growing demand for natural gas in consuming nations, especially in Asia-Pacific...[and] gas-to-liquids (GTL) conversion is now an economical consideration for processing natural gas from reserves located in areas remote from existing markets.”

• According to a study by the National Petroleum Council, U.S. Environmental Protection Agency (EPA) rules to reduce the sulfur content in gasoline and diesel fuel are expected to require capital expenditures estimated at $12 billion (in 1998 U.S. dollars) by the U.S. refining industry to attain compliance. Similar European Union (EU) mandates could require up to $20 billion in process expenditures by EU refiners. Increased spending to produce cleaner fuels also is expected in Asia-Pacific and Latin America.

• In its latest Drinking Water Infrastructure Needs Study, the U.S. EPA reports that the total infrastructure spending required for public water systems in the United States is $150.9 billion for the 20-year period from January 1999 through December 2018. Of this total, 68% or $102.5 billion is needed in the near term to ensure compliance with the Safe Drinking Water Act.

CB&I POSITIONED TO RESPOND

These growth drivers in our end markets bode well for CB&I, particularly in light of the progress we have made in implementing our strategic plan. Two years ago, in the face of the Asian economic crisis, declining oil prices and hydrocarbon industry consolidation, CB&I formulated key strategies to address industry conditions and position the company for future growth. The strategies focused on continuous improvement in safety performance; excellence in project execution; an enhanced and targeted marketing program; cost reduction and control; a worldwide effort to target and win LNG projects; and growth through acquisitions and other business initiatives. The ultimate goal of all these initiatives is to deliver greater value to our owners.

I am pleased to report that we have made solid progress in implementing each of these strategies, such as:

• Our safety performance has met or exceeded nearly all of our goals, including continued improvement in OSHA incidence rates. We have reduced our Experience Modification Rate by 25% over the last two years and our Total Recordable Incidence Rate by 27% over the last five years.

• We have continued to improve overall project execution, with better control of direct and construction costs as measured by our internal metrics. In 2000, we completed more than 600 contracts in 45 countries.

• On a companywide basis, CB&I is delivering projects at or above the as-sold margin.

• We have kept a tight lid on our staffing levels worldwide, controlled capital spending and maintained a strong balance sheet. Strategic investments in information technology have enabled us to lower communication costs, achieve a common reporting platform and deliver engineering electronically on a worldwide basis.

• We have achieved a solid level of new business taken in a very tough market.

• We made significant progress in the accomplishment of our growth strategy, with the acquisitions of XL Technology Systems and Truaco Tank, and the start-up of UltraPure Systems, our high-purity piping business.

CAPABILITIES OF THE NEW CB&I

With our own house in order, it was time to act on our strategy of creating step-change growth in sustainable revenue. We acquired Howe-Baker International in December 2000 and the PDM Water and Engineering Construction Divisions in February 2001. Adding these acquisitions to our existing businesses, the new CB&I will have projected 2001 revenues in excess of $1 billion.

We now have expanded capabilities in our key end markets, with the prospect of leveraging the industry upturn over a larger base and capitalizing on the synergies we expect from the integration of our acquired businesses. We can offer our customers a more complete package of process and storage systems, delivered on a turnkey, fixed-price basis. We believe that when we help our customers improve their businesses, we succeed as well.

Howe-Baker is a leader in the engineering and construction of process plants for the refining, petrochemical and natural gas processing industries. We anticipate significant growth by leveraging Howe-Baker’s capabilities over our existing international sales and operations infrastructure. Among its key product areas, Howe-Baker designs and builds natural gas processing plants, used in both upstream gas extraction operations and downstream treatment, and hydrogen plants, which are an important component in refinery processes for sulfur removal. In addition, Howe-Baker subsidiary Callidus Technologies has introduced an innovative new burner for gas-fired process applications that meets proposed requirements for nitrogen oxide (NOx) emissions.

As we have explained in the preceding pages of this report, we expect synergies from combining CB&I’s field execution capabilities with Howe-Baker’s process technology, enabling us to self-perform turnkey, fixed-price plant design and construction on a global basis. The PDM Water and EC Divisions offer many products that are complementary to those of CB&I, enabling us to extend and broaden our product offerings and leverage our infrastructure across the combined entity. We expect this combination will produce cost savings from the elimination of redundant operations, as well as synergies to be derived from the expansion of our customer base and the application of best practices.

I am especially pleased with the caliber of talent we have added to CB&I with the Howe-Baker and PDM acquisitions. Our new and existing employees are mixing well, and I am confident our integration activities will proceed in a timely and productive manner.

CONCLUSION

As a result of cost reduction initiatives, strategic marketing efforts and well-timed, attractively priced acquisitions, we believe CB&I is ready to take advantage of the emerging industry upturn. Our inherent strengths in international sales coverage and project execution, coupled with the addition of Howe-Baker’s process capabilities and PDM’s geographic and product coverage, have produced a company that should prosper in an average market and excel in a strong one. While it is difficult to predict the timing of the market upturn, we are confident the actions we have taken to prepare ourselves will help us meet our goal of delivering above-average returns to our owners. We hope you share our enthusiasm, and we thank you for your continued support.

Sincerely,

Gerald M. Glenn
Chairman, President and Chief Executive Officer
MISSION

We will be the preferred supplier of selected process and storage facilities worldwide by:

• Providing innovative and safe solutions through engineering, fabrication and construction
• Recognizing and delivering the products and solutions that our customers value
• Delivering results that repeatedly bring customers back to CB&I
• Creating an ethical, safe and enabling environment for our employees to prosper
• Leveraging the reputation and equity of our brands

for the purpose of achieving sustainable, profitable revenue growth.

To be the leader in providing innovative and value-added engineering and construction solutions to customers worldwide while creating superior shareholder value.

VISION

STRATEGIC GOALS

Continue to improve our safe work practices with a goal of zero injuries to our employees and subcontractors.

Compete successfully in the global marketplace for selected process and storage facilities worldwide.

Exploit our marketing and selling expertise to build productive relationships throughout the world.

Expand our business by profitably capitalizing on our global infrastructure, workforce and capabilities.

VALUES

Focus
Safety
Employees
Customers

Innovation
Solutions
Leadership
Technology

Accountability
Profit
Excellence
Ethics

Create and deliver superior, cost-effective solutions.

Make our support services and invested capital strong contributors to our performance and profitability.

Create an atmosphere in which our workforce can grow and develop.

Lead our industry by growing profitably and enhancing shareholder value.