WHO BENEFITS FROM A CRYOGENIC LIQUEFIED NATURAL GAS TANK?
Chicago Bridge & Iron Company N.V. is a global specialty engineering and construction company offering a complete package of design, engineering, fabrication, construction and maintenance services. Our products 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.

FINANCIAL HIGHLIGHTS (in millions) 2001 2000

- Revenues 1,081.8 611.7
- Income from Operations (Excluding Special Charges) 64.1 28.9
- Cash Flow from Operating Activities 105.8 4.1
- Long-Term Debt 75.0 101.8
- New Business Taken 1,160.4 680.8
- Backlog 835.3 597.4
- Weighted Average Shares Outstanding 22.4 9.4

WHAT ABOUT A HEAT RECOVERY STEAM GENERATOR?

OR AN ULTRA BLUE BURNER?
Our business may sound complex, but what we accomplish is quite simple: CB&I helps contribute to the fulfillment of basic needs. Our products and processes may not have names you hear every day, but they play a fundamental role in your daily life. For more than 100 years, we have strengthened our business by incorporating cutting-edge technology, integrating strategic acquisitions, and increasing efficiency. Throughout this successful history, we have remained dedicated to employee safety and environmental conservation. Today, our international scope and growing family of products and services extend our reach to touch the lives of people across the globe.

WE ALL DO.
Water is one of the most fundamental of all human needs. CB&I provides one of the industry's most comprehensive lines of products serving a broad spectrum of customer needs, including reliable and efficient water treatment and water storage facilities, as well as wastewater treatment solutions. At its Freeman Road Water Production Complex, the Clayton County (Georgia) Water Authority has the capacity to supply 10 million gallons of water per day to the growing population of Clayton and Henry Counties, just outside Atlanta. The plant combines patented CB&I Walker ClarCone® solids-contact clarifiers with Decelerating-Flo® Filters to achieve superior performance with the lowest operating and maintenance costs of any available potable water treatment process.
Clean air to breathe is an elementary human need. To promote a healthier environment, governmental bodies worldwide have enacted regulations calling for the production of cleaner transportation fuels. Howe-Baker International is helping refiners meet clean fuel requirements through a full range of sulfur reduction technology and processes, erected using our safe and efficient modularized construction process. At this site in Ponca City, Oklahoma, Howe-Baker is working with Conoco Inc. to build a gas-to-liquids (GTL) demonstration plant that will convert natural gas into clean burning, sulfur-free diesel and other products. GTL technology allows development of stranded natural gas reserves by converting natural gas to liquid petroleum products, making transportation to market cost effective.
We all need an energy source to cook our food and heat our homes. Clean-burning natural gas is widely used to meet these needs. Howe-Baker Engineers serves the natural gas industry with proven and reliable processing plants that take raw gas from a gathering system and produce natural gas and fractionated natural gas liquid products. Howe-Baker designed and constructed a lump-sum turnkey plant for Williams Energy Services at Markham, Texas, to process deep water gas from the Gulf of Mexico. With a rated throughput of 300 million standard cubic feet per day, the plant consists of inlet gas filtering and separation, amine treating to remove CO₂, glycol dehydration followed by molecular sieve dehydration, cryogenic natural gas liquids recovery, and turbine-driven residue gas compression.

SUPPORTING THE HEAT WE NEED.
Gasoline is one of the most widely used consumer products in the United States, with an average consumption of about 8 million barrels per day. Maintaining a reliable supply of gasoline and other transportation fuels is critical to the economies of the world’s industrialized countries. Since our development of the first floating-roof tank in 1923, CB&I has played an important role in helping refiners and terminal operators safely and efficiently store transportation fuels and other refined products to meet the needs of consumers and industrial users. At this terminal on the Houston Ship Channel in Pasadena, Texas, CB&I is building two 150 ft. (45.7 m) diameter cone roof tanks.
**Petrochemical & Chemical Industry Overview:** Using liquid and gaseous feedstocks that may include petroleum, this industry segment produces thousands of products including synthetic rubbers, plastics, fertilizers, antifreeze, pesticides, liquefied petroleum gas (LPG), Liquefied Oxygen (LOX) and Nitrogen (LIN), and other industrial products.

**Customers:** Petrochemical and chemical manufacturers and distributors.

**Products and Services:**
- Atmospheric pressure and refrigerated or cryogenic tanks and spheres; CoilBuild™ stainless steel tanks; Marketing and sales, and other processing plants; Flares; specialized process vessels.
- Aboveground storage tanks and bulk liquid terminals; pressure and refrigerated tanks and spheres; Electrical dehydrators and desalters; crude oil processing plants; natural gas liquids recovery, cryogenic, nitrogen removal and other processing plants; Flares.
- Aboveground storage tanks and bulk liquid terminals; pressure and refrigerated tanks and spheres; Electrical dehydrators and desalters; crude oil topping plants; natural gas liquids recovery units, and integrated processing plants; Flares.
- Aboveground storage tanks and bulk liquid terminals; pressure and refrigerated tanks and spheres; Electrical dehydrators and desalters; refinery process units, including hydrocrackers, catalytic reformers, hydrodesulfurization units; hydrogen and synthesis gas plants; field-erected process vessels, including crude units, cokers, sulfur reduction units, fractionators, reactors, regenerators and towers; Process unit burners and Flares; comprehensive maintenance and repair services, including process plant revamps, turnarounds and total tank management services; Turnkey EPC services.

**Natural Gas Industry Overview:**

This industry locates, purifies and transports clean-burning natural gas to a broad spectrum of customers in order to provide fuel for heating, cooking, transportation and electricity generation.

**Customers:**
- Natural gas producers; public and private utilities, local distribution companies and electric power generators; Liquefied natural gas (LNG) producers and importers.

**Products and Services:**
- Modularized and conventional construction natural gas processing plants, including gas dehydration and treating units, cryogenic natural gas liquids recovery units, and integrated processing plants; Hydrogen and synthesis gas plants; field-erected process vessels; burners, Flares and thermal oxidizers; comprehensive maintenance and repair services; Turnkey EPC services.

**Downstream Petroleum Industry Overview:**

The downstream segment of the petroleum industry refines, distributes and markets petroleum products including transportation fuels and natural gas to industrial customers and consumers.

**Customers:**
- Refiners; petrochemical producers; petroleum products distributors.

**Products and Services:**
- Aboveground storage tanks and bulk liquid terminals; pressure and refrigerated tanks and spheres; Electrical dehydrators and desalters; crude oil topping plants; natural gas liquids recovery, cryogenic, nitrogen removal and other processing plants; Flares.
- Aboveground storage tanks and bulk liquid terminals; pressure and refrigerated tanks and spheres; Electrical dehydrators and desalters; refinery process units, including hydrocrackers, catalytic reformers, hydrodesulfurization units; hydrogen and synthesis gas plants; field-erected process vessels, including crude units, cokers, sulfur reduction units, fractionators, reactors, regenerators and towers; Process unit burners and Flares; comprehensive maintenance and repair services, including process plant revamps, turnarounds and total tank management services; Turnkey EPC services.

**Midstream Petroleum Industry Overview:**

The midstream segment of the petroleum industry processes, stores, markets and transports commodities such as crude oil, natural gas, natural gas liquids and sulfur.

**Customers:**
- Integrated, independent and state-run oil and gas companies; Pipeline and terminal operators.

**Products and Services:**
- Aboveground storage tanks and bulk liquid terminals; pressure and refrigerated tanks and spheres; Electrical dehydrators and desalters; crude oil processing plants; natural gas liquids recovery, cryogenic, nitrogen removal and other processing plants; Flares.
- Aboveground storage tanks and bulk liquid terminals; pressure and refrigerated tanks and spheres; Electrical dehydrators and desalters; refinery process units, including hydrocrackers, catalytic reformers, hydrodesulfurization units; hydrogen and synthesis gas plants; field-erected process vessels, including crude units, cokers, sulfur reduction units, fractionators, reactors, regenerators and towers; Process unit burners and Flares; comprehensive maintenance and repair services, including process plant revamps, turnarounds and total tank management services; Turnkey EPC services.

**Upstream Petroleum Industry Overview:**

Known as the exploration and production sector, this segment of the petroleum industry finds and produces crude oil and natural gas.

**Customers:**
- Integrated, independent and state-run oil and gas companies; Pipeline and terminal operators.

**Products and Services:**
- Aboveground storage tanks and bulk liquid terminals; pressure and refrigerated tanks and spheres; Electrical dehydrators and desalters; crude oil processing plants; natural gas liquids recovery, cryogenic, nitrogen removal and other processing plants; Flares.

**REVIEW OF END MARKETS**
Metals & Mining

Industry Overview: Mineral producers extract and process natural resources for further refinement by metals manufacturers.

Customers: Mining and metal processing companies; steel makers.

Products and Services: Comprehensive EPC and mechanical erection services for metals extraction plants, including gold, iron ore, copper and alumina production facilities; flat bottom tanks for bulk liquid storage; industrial process vessels, including basic oxygen furnaces; precipitators.

Power

Industry Overview: This industry generates, distributes or consumes electricity using a variety of generation and demand-side management equipment.

Customers: Public electric generating utilities, non-regulated generators and co-generated process facilities.

Products and Services: Design, fabrication and construction of major power plant components, including flat bottom tanks for storage of fuel oil, water and demineralized water; as well as stacks, stack liners and absorber towers; mechanical erection of plant components including heat recovery steam generators (HRSGs) and gas and steam turbines; refrigerated LNG tanks and import terminals to feed power plants; process plants to treat crude oil or distillates for use as turbine fuel; hydroelectric plant components; including penstocks, scroll cases and bifurcations; thermal energy storage (TES) tanks for commercial and industrial air conditioning systems and gas turbine inlet air cooling; wind tower and turbine installation.

Water & Wastewater

Industry Overview: This industry provides treatment, distribution and storage of potable water, as well as wastewater treatment solutions.

Customers: Public and private water utilities, municipalities, real estate developers, manufacturing and process plants.

Products and Services: Comprehensive selection of water storage tanks, from all-steel or composite steel/concrete elevated tanks to standpipes and reservoirs; turnkey potable water treatment solutions, including solids-contact clarifiers and filtration systems; anaerobic digestion systems for treatment of solid wastewater sludge.

Pharmaceutical

Industry Overview: Pharmaceutical manufacturers research, develop and manufacture the drugs that treat human and animal diseases.

Customers: Pharmaceutical manufacturers.

Products and Services: CoilBuild™ stainless steel tanks for storage of intermediary chemicals and process liquids; thermal oxidizer systems for disposal of pharmaceutical waste streams.

Food & Agriculture

Industry Overview: This industry utilizes the earth’s natural resources to meet the fundamental human need for food.

Customers: Fertilizer manufacturers; food producers; ethanol producers.

Products and Services: Refrigerated storage and distribution facilities for ammonia and urea ammonia nitrate liquid fertilizers; storage tanks and systems for granular food products, including sugar, starch and grain; specialized storage tanks, including CoilBuild™ stainless steel tanks.
2001 Results: We are pleased to report that after our first year the new CB&I is indeed prospering. We are meeting—and in many cases exceeding—our expectations. Some notable examples:

• Our costs to integrate the Howe-Baker and PDM acquisitions have been considerably lower than anticipated, while synergy cost savings have been greater.
• CB&I and Howe-Baker together are taking work that neither company could have won independently, a prime example being the recent $100 million award for the Qatif gas/oil separation project in Saudi Arabia.
• The performance of the combined CB&I/PDM Water group has surpassed our expectations for synergies and sales growth.
• The adoption of best practices in engineering and field erection, elimination of redundant facilities, and selection of the most capable people have substantially strengthened our worldwide construction operations.
• Strong cash flows have enabled us to invest in initiatives to better position ourselves in the marketplace without impairing the strength of our balance sheet.

Three years ago, CB&I formulated key strategies to 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; an effort to target and win LNG projects worldwide; and growth through acquisitions and other business initiatives.

Our financial results in 2001 speak to the success we have achieved from implementing these strategies. Compared to the previous year, revenues in 2001 grew 77%; income from operations (excluding special charges) more than doubled; new business taken increased 70%; backlog grew 40%; and our exceptionally strong cash flow allowed us to reduce our net debt from $95 million to $30 million.

Growing End Markets: Looking ahead, we see a rising tide of capital spending for energy, power and water projects. The drivers for higher spending include growing worldwide demand for energy and power, stricter environmental regulations for transportation fuels, and an aging public water infrastructure and the need to comply with safe drinking water mandates in North America.

In its World Energy Outlook: 2001 Insights, the International Energy Agency states, “Massive investment in the production, transformation, transportation and distribution of energy will be needed to meet growing demand.” World energy consumption is expected to grow 2% per year from now until 2020.

The U.S. Energy Information Administration in its Annual Energy Outlook 2002 predicts world oil demand is projected to increase from 76.0 million barrels per day in 2000 to 118.9 million barrels per day in 2020, due to higher projected demand in the United States and developing countries, including the Pacific Rim and Central and South America.
In the U.S., demand for natural gas is expected to increase at an annual average rate of 2% between 2000 and 2020, primarily due to rapid growth in demand for gas-fired electricity generation. The share of generation from natural gas is projected to increase from 16% in 2000 to 32% in 2020. To meet the higher demand, natural gas production is expected to increase from 19.1 to 28.5 trillion cubic feet between 2000 and 2020, an average annual rate of 2%. Hydrocarbon Processing magazine in its “HPI Market Data 2002” projects total 2002 worldwide spending for gas processing of $12.2 billion, up $600 million from 2001.

Clean air initiatives and regulations are driving increased capital spending by refineries, particularly in North America and the European Union. U.S. Environmental Protection Agency (EPA) regulations mandate reduction in sulfur content to 30 parts per million (ppm) in gasoline beginning in 2004, and 15 ppm in diesel fuel beginning in 2006. Similar reductions are mandated in Canada and the EU. Petroleum industry trade associations have predicted capital expenditures by U.S. refiners of $12 billion and by EU refiners of $13 billion to meet future clean fuel requirements. As a result, Hydrocarbon Processing predicts worldwide refinery spending of $62.1 billion in 2002, an increase of $1.2 billion from 2001.

A need to comply with EPA mandates for safe drinking water and to upgrade and replace the aging public water infrastructure will lead to continued consistent growth in the water and water treatment market in North America. A 2001 study by the American Water Works Association found that the nation must invest as much as $250 billion to replace aging drinking water infrastructure over the next 30 years, a number that does not include spending to meet new federal drinking water standards.

CB&I Competitive Strengths :: We believe CB&I possesses a number of inherent strengths—complemented and enhanced by our recent acquisitions—that position us to capitalize on the expected growth in our primary end markets.

Worldwide Record of Excellence :: CB&I has established a record as a leader in the international Engineering & Construction industry by providing consistently superior project performance for more than 112 years. The addition of Howe-Baker and the PDM Divisions to the CB&I family has further enhanced our capabilities for excellence in project design and execution.

Fully-Integrated Specialty Engineering & Construction Provider :: CB&I is one of a very few global E&C service providers that can deliver a project from concept 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 offices and established labor and supplier relationships, we have the ability to rapidly mobilize people, materials and equipment virtually anywhere in the world to execute projects in locations ranging from highly industrialized countries to the world’s most remote and challenging regions.

History of Innovation :: CB&I established a reputation for product innovation when 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 some 75 active U.S. patents. Howe-Baker’s recent acquisition of TPA, Inc. strengthens our technology and know-how in sulfur removal and recovery processes, an important element for the production of low sulfur transportation fuels.

Experienced Management Team :: The members of our senior leadership team have an average of more than 20 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. The acquisitions of Howe-Baker and the PDM Divisions have further strengthened our management team.

A Culture of Fixed-Price Contracting :: Lump-sum contracting, which is part of the ingrained culture at 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 our customers in terms of cost and schedule certainty. Extensive bid review and approval procedures, experience in risk management, and disciplined project controls enable us to execute lump-sum contracts consistently and successfully around the world.

Solid Balance Sheet :: Active cash management, including aggressive control of capital expenditures and contract capital, have enabled CB&I to fund acquisitions and repurchase shares while maintaining a strong balance sheet. Our robust free cash flow and conservative net debt levels provide us with the financial resources to pursue additional targeted acquisitions for future growth.

Conclusion :: The ability of a company to grow and prosper depends on many things. Some of them are tangible—raw materials, physical assets, employees, products and services. Others are less tangible—leadership, strategy, integrity, honesty, innovation, reputation, culture, dedication, relationships—but no less important for the overall success of the enterprise. At CB&I we are fortunate to have the right combination of elements—nurtured by capable and dedicated employees—that has produced solid returns for our shareholders and superior value for our customers. We are confident that our inherent capabilities, favorable market conditions, a well-implemented strategy and sound execution will enable us to flourish in the years to come. Thank you for your continuing support and confidence.

Sincerely,

Gerald M. Glenn
Chairman, President and Chief Executive Officer
Vision
To be the leader in providing innovative and value-added engineering and construction solutions to customers worldwide while creating superior shareholder value.

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.

Values
Focus: Safety Employees Customers
Innovation: Solutions Leadership Technology
Accountability: Profit Excellence Ethics

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.
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.