

CHICAGO BRIDGE & IRON CO N V

Form 10-K

February 23, 2010

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

**Form 10-K**

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2009**
- or**
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from        to**

**Commission File Number 1-12815**

**CHICAGO BRIDGE & IRON COMPANY N.V.**  
*Incorporated in The Netherlands IRS Identification Number: not applicable*

**Oostduinlaan 75  
2596 JJ The Hague  
The Netherlands  
31-70-3732070**

*(Address and telephone number of principal executive offices)*

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of Each Class:**

**Name of Each Exchange on Which Registered:**

Common Stock; Euro .01 par value

New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

**none**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)  
YES  NO

Aggregate market value of common stock held by non-affiliates, based on a New York Stock Exchange closing price of \$12.40 as of June 30, 2009 was \$1,207,371,297.

The number of shares outstanding of the registrant's common stock as of February 1, 2010 was 100,332,177.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the 2010 Proxy Statement

Part III

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

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**PART I**

**Item 1. *Business***

Founded in 1889, Chicago Bridge & Iron N.V. and Subsidiaries ( *CB&I* or the Company ) is one of the world's leading engineering, procurement and construction ( *EPC* ) companies and major process technology licensors, delivering comprehensive solutions to customers in the energy and natural resource industries. Our stock currently trades on the New York Stock Exchange ( *NYSE* ) under the ticker symbol *CBI*. With more than a century of experience and approximately 16,000 employees worldwide, we capitalize on our global expertise and local knowledge to safely and reliably deliver projects virtually anywhere. During 2009, we executed over 600 projects in more than 70 countries for customers in a variety of industries.

**Segment Financial Information**

Segment financial information by business sector can be found in the section entitled *Results of Operations* in Item 7 and Financial Statements and Supplementary Data in Item 8.

***Business Sectors***

*CB&I* is comprised of three business sectors: *CB&I Steel Plate Structures*, *CB&I Lummus*, and *Lummus Technology*. Through these business sectors, we offer services both independently and on an integrated basis.

*CB&I Steel Plate Structures.* The *CB&I Steel Plate Structures* business sector provides engineering, procurement, fabrication and construction services for the petroleum, water and nuclear industries. Projects include above ground storage tanks, elevated storage tanks, Liquefied Natural Gas ( *LNG* ) tanks, pressure vessels, and other specialty structures, such as nuclear containment vessels. Customers for these structures include oil and gas companies around the world, such as *ADNOC*, *British Gas ( BG ) Group*, *Chevron*, *CNOOC*, *ExxonMobil*, *Kinder Morgan*, *Qatar Petroleum*, *Shell*, and *Suncor*, as well as nuclear technology companies such as *Westinghouse*.

*CB&I Lummus.* The *CB&I Lummus* business sector provides engineering, procurement, fabrication and construction services for upstream and downstream energy infrastructure facilities. Projects include *LNG* liquefaction and regasification terminals, refinery units, petrochemical complexes and a wide range of other energy-related projects. Customers for these facilities are international, national and regional oil companies, such as *BG Group*, *BP*, *Chevron*, *CNOOC*, *ConocoPhillips*, *Ecopetrol*, *ExxonMobil*, *Hunt Oil*, *Nexen*, *Pluspetrol*, *Sabic*, *Saudi Aramco* and *Shell*.

*Lummus Technology.* *CB&I*'s process technology business sector provides proprietary technologies used to process natural gas, manufacture petrochemicals, and convert crude oil into consumer products, such as gasoline and diesel. The *Lummus Technology* business sector offers licensed technology, catalysts, specialty equipment and technical support for customers in the refining, gas processing and petrochemical industries. Customers include *Indian Oil*, *Petrochina*, *SABIC*, *Shell* and *Sinopec*.

**Recent Acquisition**

On November 16, 2007, we acquired all of the outstanding shares of *Lummus Global ( Lummus )* from *Asea Brown Boveri Ltd. ( ABB )* for a purchase price of approximately \$820.9 million, net of cash acquired and including transaction costs. *Lummus* operations include on/near shore engineering, procurement, construction and technology operations. *Lummus* supplies a comprehensive range of services to the global oil, gas and petrochemical industries,

including the design and supply of production facilities, refineries and petrochemical plants. The results of operations of our Lummus acquisition reside in our CB&I Lummus and Lummus Technology business sectors.

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### **Competitive Strengths**

Our core competencies, which we believe are significant competitive strengths, include:

*Strong Health, Safety and Environmental ( HSE ) 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 U.S. Bureau of Labor Statistics, the national Lost Workday Case Incidence Rate for construction companies similar to CB&I was 1.4 per 100 full-time employees for 2008 (the latest reported year), while our rate for 2009 was only 0.02 per 100 employees. Our excellent HSE performance also translates directly to lower cost, timely completion of projects, and reduced risk to our employees, subcontractors and customers.

*Worldwide Record of Excellence.* We have an established record as a leader in the international engineering and construction industry by providing consistently superior project performance for 120 years.

*Global Execution Capabilities.* With a global network of approximately 80 sales and operations offices, established supplier relationships and available workforces, 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. Additionally, due primarily to our long-standing presence in numerous markets around the world, we have a prominent position as a local contractor in global energy and industrial markets.

*Fabrication.* We are one of the few EPC and process technology contractors with in-house fabrication facilities, which allow us to offer customers the option of modular construction, when feasible. In contrast to traditional onsite stick built construction, modular construction enables modules to be built within a tightly monitored shop environment and allows us to better control quality, minimize weather delays and expedite schedules. Once completed, the modules are shipped and assembled at the project site.

*Licensed Lummus Technologies.* We offer a broad, state-of-the-art portfolio of gas processing, refining and petrochemical technologies. Being able to provide licensed technologies sets CB&I apart from our competitors and presents opportunities for increased profitability. Combining technology with EPC capabilities strengthens CB&I's presence throughout the project life cycle, allowing us to capture additional market share in the important higher margin growth sectors.

*Recognized Expertise.* Our in-house engineering team includes internationally recognized experts in oil and gas processes and facilities, modular design and fabrication, cryogenic storage and processing, and bulk liquid storage and systems. Several of our senior engineers are long-standing members of committees that have helped develop worldwide standards for storage structures and process vessels for the petroleum industry, including the American Petroleum Institute and the 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. Our position as an integrated EPC service provider allows us to execute global projects on a competitively bid and negotiated basis. We offer our customers a range of contracting options, including fixed-price, cost reimbursable and hybrid approaches.

*Management Team with Extensive Engineering and Construction Industry Experience.* Members of our senior leadership team have an average of approximately 25 years of experience in the engineering and construction industry.

### **Growth Strategy**



On an opportunistic and strategic basis, we may pursue additional growth through selective acquisitions of businesses or assets that will expand or complement our current portfolio of services and meet our stringent acquisition criteria. The combination of CB&I and Lummus has created one of the world's leading construction and process engineering companies, with a broad range of multinational customers in the energy and natural resource industries. The offering of both EPC services and technology further differentiates CB&I from its competitors, and the combination of the complementary platforms has resulted in an organization with formidable resources at each stage of the project life cycle.

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We operate in a competitive environment. Technology performance, price, timeliness of completion, quality, safety record and reputation are the principal competitive factors within the industry. There are numerous regional, national and global 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 the energy and natural resources industries. We rely primarily on direct contact between our technically-qualified sales and engineering staff and our customers' engineering and contracting departments. Dedicated sales employees are located in offices throughout the world.

Our significant customers, with many of which we have had longstanding relationships, are primarily in the hydrocarbon industry and include major petroleum and petrochemical companies (see the "Business Sectors" section for a listing of our significant customers).

We are not dependent upon any single customer on an ongoing basis and do not believe that the loss of any single customer would have a material adverse effect on our business. For the year ended December 31, 2009, we had no customers that accounted for 10% or more of our total revenue. For the year ended December 31, 2008, we had one customer within our CB&I Lummus sector that accounted for more than 10% of our total revenue. Revenue from Peru LNG totaled approximately \$598.2 million or 10% of our total 2008 revenue. For the year ended December 31, 2007, we had one customer within our CB&I Lummus sector that accounted for more than 10% of our total revenue. Revenue from South Hook LNG totaled approximately \$542.2 million or 12% of our total 2007 revenue.

**Backlog/New Awards**

We had a backlog of work to be completed on contracts totaling approximately \$7.2 billion as of December 31, 2009, compared with \$5.7 billion as of December 31, 2008. Due to the timing of awards and the long-term nature of some of our projects, approximately 64% of our backlog is anticipated to be completed beyond 2010. New awards were approximately \$6.1 billion for the year ended December 31, 2009, compared with \$4.3 billion for the year ended December 31, 2008. Our new awards by business sector were as follows:

	<b>Years Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(In thousands)</b>	
CB&I Steel Plate Structures	\$ 2,216,246	\$ 2,562,599
CB&I Lummus	3,585,741	1,218,990
Lummus Technology	311,599	505,203
Total New Awards	\$ 6,113,586	\$ 4,286,792

**Types of Contracts**

Our contracts are usually awarded on a competitive bid and negotiated basis. We offer our customers a range of contracting options, including fixed-price, cost reimbursable and hybrid approaches. Each contract is designed to

optimize the balance between risk and reward.

### **Raw Materials and Suppliers**

The principal raw materials that we use are metal plate, structural steel, pipe, fittings, catalysts, proprietary equipment and selected engineered equipment such as pressure vessels, exchangers, pumps, valves, compressors, motors and electrical and instrumentation components. Most of these materials are available from numerous suppliers worldwide with some furnished under negotiated supply agreements. We anticipate being able to obtain these materials for the foreseeable future. The price, availability and schedule validities offered by our suppliers, however, may vary significantly from year to year due to various factors. These include supplier consolidations,

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supplier raw material shortages and costs, surcharges, supplier capacity, customer demand, market conditions, and any duties and tariffs imposed on the materials.

We make planned use of subcontractors where it assists us in meeting customer requirements with regard to schedule, cost or technical expertise. These subcontractors may range from small local entities to companies with global capabilities, some of which may be utilized on a repetitive or preferred basis. To the extent necessary, we anticipate being able to locate and contract with qualified subcontractors in all global areas where we do business.

## **Environmental Matters**

Our operations are subject to extensive and changing U.S. federal, state and local laws and regulations, as well as the laws of other nations, that establish health and environmental quality standards. These standards, among others, relate to air and water pollutants and the management and disposal of hazardous substances and wastes. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, 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 from whom we have purchased or to whom we have sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred.

We believe that we are currently in compliance, in all material respects, with all environmental laws and regulations. We do not currently believe that any environmental matters will have a material adverse effect on our future results of operations or financial position. We do not anticipate that we will incur material capital expenditures for environmental controls or for the investigation or remediation of environmental conditions during 2010 or 2011.

## **Patents**

CB&I has numerous active patents and patent applications throughout the world, the majority of which are associated with technologies licensed by our Lummus Technology business sector. However, no individual patent is so essential that its loss would materially affect our business.

## **Employees**

We employed 15,755 persons worldwide as of December 31, 2009. With respect to our total number of employees as of December 31, 2009, we had 7,116 salaried employees and 8,639 hourly and craft employees. The number of hourly and craft employees varies in relation to the number and size of projects we have in process at any particular time. The percentage of our employees represented by unions generally ranges between 5 and 10 percent. CB&I has agreements with various unions representing groups of its employees at project sites in the United States ( U.S. ), Canada, the United Kingdom ( U.K. ), Australia and various other countries. We have multiple agreements with various unions, the terms of which generally extend up to three years.

We enjoy good relations with our unions and have not experienced a significant work stoppage in any of our facilities in more than 10 years. Additionally, to preserve our project management and technological expertise as core competencies, we recruit and develop and maintain ongoing training programs for engineers and field supervision personnel.

## **Available Information**

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We make available our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act ), free of charge through our internet website at [www.cbi.com](http://www.cbi.com) as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities Exchange Commission (the SEC ).

The public may read and copy any materials we file with or furnish to the SEC at the SEC s Public Reference Room at 100 F Street NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains the Company s filings and other information regarding issuers who file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

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**Item 1A. Risk Factors**

Any of the following risks (which are not the only risks we face) could have material adverse effects on our results of operations, financial condition, and cash flow:

**Risk Factors Relating to Our Business**

***The Global Financial, Credit and Economic Crisis Could Adversely Impact Us due to Cancellation of Projects, Delay in the Award of New Projects, or Factors Affecting the Availability of our Lending Facilities, Resulting in Reductions in Revenue, Cash Flow, and Earnings, Loss of Personnel Due to Reductions in Force, and Non-Compliance with Restrictive Lending Covenants.***

It remains difficult to predict what impact the global financial, credit, and economic crisis will have on us. Some of our customers, suppliers and subcontractors have traditionally accessed commercial financing and capital markets to fund their operations, and the availability of funding from those sources could be an issue with the continued global economic uncertainty.

We could also be impacted as a result of the current global financial, credit, and economic crisis if our customers delay or cancel projects, if our customers experience a material change in their ability to pay us, if we are unable to meet our restrictive lending covenants, or if the banks associated with our current, committed and unsecured revolving credit facility, committed and unsecured letter of credit and term loan agreements, and uncommitted revolving credit facilities, were to cease or reduce operations.

Our ability to remain in compliance with our restrictive lending facility covenants and the availability of lending facilities also could be impacted by circumstances or conditions directly or indirectly associated with the global financial, credit, and economic crisis, including but not limited to, cancellation of contracts, changes in currency exchange or interest rates, performance of pension plan assets, or changes in actuarial assumptions.

Therefore, while we remain cautiously optimistic about the near future and the robustness of the global economic recovery, it continues to be difficult to forecast the impact of the global financial, credit and economic crisis on us.

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

A portion of our revenue is derived from fixed-price, lump-sum contracts. Under these contracts, we perform our services and execute our projects at a fixed price and, as a result, benefit from cost savings, but may be unable to recover any cost overruns. If we do not execute the contract within our cost estimates, we may incur losses or the project may be less profitable than we expected. The revenue, cost and gross profit realized on such contracts can vary, sometimes substantially, from the original projections due to changes in a variety of factors, including but not limited to:

costs incurred in connection with modifications to a contract (change orders) that may be unapproved by the customer as to scope, schedule, and/or price;

unanticipated costs or claims, including costs for customer-caused delays, errors in specifications or designs, or contract termination;

unanticipated technical problems with the structures or systems being supplied by us, which may require that we spend our own money to remedy the problem;

changes in the costs of components, materials, labor or subcontractors;

failure to properly estimate costs of engineering, materials, equipment or labor;

difficulties in obtaining required governmental permits or approvals;

changes in laws and regulations;

changes in labor conditions;

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project modifications creating unanticipated costs;

delays caused by weather conditions;

our suppliers or subcontractors failure to perform; and

exacerbation of any one or more of these factors as projects increase in scope and complexity.

These risks are exacerbated if the duration of the project is long-term because there is an increased risk that the circumstances upon which we based our original bid will change in a manner that increases costs. In addition, we sometimes bear the risk of delays caused by unexpected conditions or events.

***Our Use of the Percentage-of-Completion Method of Accounting Could Result in a Reduction or Reversal of Previously Recorded Revenue and Profit.***

Our contracts are awarded on a competitive bid and negotiated basis. We offer our customers a range of contracting options, including fixed-price, cost reimbursable and hybrid approaches. Contract revenue is primarily recognized using the percentage-of-completion method, based on the percentage that actual costs-to-date bear to total estimated costs to complete each contract. We utilize this cost-to-cost approach as we believe this method is less subjective than relying on assessments of physical progress. We follow the guidance in the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Revenue Recognition Topic 605-35 (formerly SOP 81-1) for accounting policies relating to our use of the percentage-of-completion method, estimating costs and revenue recognition, including the recognition of profit incentives, combining and segmenting contracts and unapproved change order/claim recognition. Under the cost-to-cost approach, the most widely recognized method used for percentage-of-completion accounting, the use of estimated cost to complete each contract is a significant variable in the process of determining revenue recognized 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, including, to the extent required, the reversal of profit recognized in prior periods. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates.

***Any Prospective Acquisitions that We Undertake Could Be Difficult to Integrate, Disrupt Our Business, Dilute Shareholder Value and Harm Our Operating Results.***

We may continue to pursue growth through the opportunistic and strategic acquisition of companies or assets that will enable us to broaden the types of projects we execute and also expand into new markets. Our opportunity to grow through prospective acquisitions may be limited if we cannot identify suitable companies or assets, reach agreement on potential strategic acquisitions on acceptable terms or for other reasons. Our future acquisitions may be subject to a variety of risks, including:

difficulties in the integration of operations and systems;

the key personnel and customers of the acquired company may terminate their relationships with the acquired company;

we may experience additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls;



we may assume or be held liable for risks and liabilities (including environmental-related costs) as a result of our acquisitions, some of which we may not discover during our due diligence;

our ongoing business may be disrupted or receive insufficient management attention; and

we may not be able to realize the cost savings or other financial or operational benefits we anticipated.

Realization of one or more of these risks could have an adverse impact on our operations. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in additional

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goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

***Our Business is Dependent upon Major Construction Projects, the Unpredictable Timing of Which May Result in Significant Fluctuations in our Cash Flows and Earnings due to Timing Between the Award of the Project and Payment Under the Contract.***

Our cash flow and earnings are dependent upon major construction projects in cyclical industries, including the hydrocarbon refining, natural gas and water industries. The timing of or failure to obtain projects, delays in awards of projects, cancellations of projects or delays in completion of projects could result in significant periodic fluctuations in 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 such expenditures could reduce our cash flows and necessitate increased borrowings under our credit facilities.

***We Could be Exposed to Credit Risk from a Customer's Financial Difficulties Especially in Light of the Global Financial, Credit and Economic Crisis.***

The majority of our accounts receivable and contract work in progress are from clients around the world in the natural gas, petroleum and petrochemical industries. Most contracts require payments as the projects progress or in certain cases advance payments. We may be exposed to potential credit risk if our customers should encounter financial difficulties.

***Our New Awards and Liquidity May Be Adversely Affected by Bonding and Letter of Credit Capacity.***

A portion of our new awards requires the support of bid and performance surety bonds or letters of credit, as well as advance payment and retention bonds, which can enhance our cash flows. Our primary use of surety bonds is to support water and wastewater treatment and standard tank projects in the U.S., while letters of credit are generally used to support other projects. A restriction, reduction, or termination of our surety bond agreements could limit our ability to bid on new project opportunities, thereby limiting our new awards, or increase our letter of credit utilization in lieu of bonds, thereby reducing availability under our credit facilities. A restriction, reduction or termination of our letter of credit facilities could also limit our ability to bid on new project opportunities or could significantly change the timing of project cash flows, resulting in increased borrowing needs.

***Our Revenue and Earnings May Be Adversely Affected by a Reduced Level of Activity in the Hydrocarbon Industry Especially in Light of the Global Financial, Credit and Economic Crisis.***

In recent years, demand from the worldwide hydrocarbon industry has been the largest generator of our revenue. 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, size and location 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 challenges and advances;

the ability of oil and gas companies to generate capital; and

demand for hydrocarbon production.

In addition, changing taxes, price controls, and laws and regulations may reduce or affect the level of activity in the hydrocarbon industry. These factors are beyond our control. Reduced activity in the hydrocarbon industry could result in a reduction of major projects available in the industry, which may result in a reduction of our revenue and earnings and possible under-utilization of our assets.

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***Intense Competition in the EPC and Process Technology Industries Could Reduce Our Market Share and Earnings.***

We serve markets that are highly competitive and in which a large number of multinational companies compete. In particular, the EPC and process technology markets are highly competitive and require substantial resources and capital investment in equipment, technology and skilled personnel. Competition also places downward pressure on our contract prices and margins. Intense competition is expected to continue in these markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our earnings.

***Our Projects Expose Us to Potential Professional Liability, Product Liability, 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. We may also be subject to claims resulting from the subsequent operations of facilities we have installed. In addition, our operations are subject to the usual hazards inherent in providing engineering and construction services, such as the risk of accidents, fires and explosions. These hazards can cause personal injury and loss of life, business interruptions, property damage, and pollution and environmental damage. We may be subject to claims as a result of these hazards.

Although we generally do not accept liability for consequential damages in our contracts, any catastrophic occurrence in excess of insurance limits at project sites where our structures are installed or on projects for which services are performed could result in significant professional liability, product liability, warranty or other claims against us. These liabilities could exceed our current insurance coverage and the fees we derive from those structures and services. These claims could also make it difficult for us to obtain adequate insurance coverage in the future at a reasonable cost. Clients or subcontractors that have agreed to indemnify us against such losses may refuse or be unable to pay us. A partially or completely uninsured claim, if successful and of significant magnitude, could result in substantial losses and reduce cash available for our operations.

***We May Experience Increased Costs and Decreased Cash Flows Due to Compliance with Environmental Laws and Regulations, Liability for Contamination of the Environment or Related Personal Injuries.***

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 business often involves working around and with volatile, toxic and hazardous substances and other highly regulated pollutants, substances, or wastes, the improper characterization, handling or disposal of which could constitute violations of U.S. federal, state or local laws and regulations and laws of other nations, 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 permits 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 pollutants, substances or wastes. 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 within applicable deductible or retention limits. A partially or completely uninsured claim, if successful and of significant magnitude, could cause us to suffer a significant loss and reduce cash available for our operations.

The environmental health and safety laws and regulations to which we are subject are constantly changing, and it is impossible to predict the impact of such laws and regulations on us in the future. We cannot assure you that our

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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 from whom we have purchased or to whom we have sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred.

***We Are and Will Continue to Be Involved in Litigation That Could Negatively Impact Our Earnings and Liquidity.***

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, technology licenses 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 timely completion of projects, performance of equipment or technologies, design or other engineering services or project construction services provided by us. While management does not currently believe that pending contractual, employment-related personal injury or property damage claims and disputes will have a material adverse effect on our results of operations, financial position or cash flow, there can be no assurance that this will be the case.

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

As of December 31, 2009, we had a backlog of work to be completed on contracts totaling approximately \$7.2 billion. Backlog develops as a result of new awards, which represent 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 but are not yet complete. In the latter case, the revenue value reported in backlog is the remaining value associated with work that has not yet been completed. The revenue projected in our backlog may not be realized, or if realized, may not result in earnings as a result of poor project or contract performance. 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 awards. In the event of a project cancellation, we may be reimbursed for certain costs but typically have no contractual right to the total revenue 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.

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

A significant number of our projects are performed or located outside the U.S., including projects in developing countries with political and legal systems that are significantly different from those found in the U.S. 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 U.S., including:

unstable economic conditions in some countries in which we make capital investments, operate or provide services;

the lack of well-developed legal systems in some countries in which we make capital investments, operate, or provide services, which could make it difficult for us to enforce our rights;

expropriation of property;

restrictions on the right to receive dividends from joint ventures, convert currency or repatriate funds; and

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

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Political instability risks may arise from time to time on a country-by-country basis where we happen to have a large active project. We do not currently believe we have material risks attributable to political instability.

***We Are Exposed to Possible Losses from Foreign Currency Exchange Rates.***

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, forecasted transactions 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 primarily through a combination of contracting methodology and, when deemed appropriate, the use of foreign currency forward contracts. In circumstances where we utilize forward contracts, our results of operations might be negatively impacted if the underlying transactions occur at different times, in different amounts than originally anticipated or if the counterparties to our forward contracts fail to perform. We do not hold, issue, or use financial instruments for trading or speculative purposes.

***Our Goodwill and Other Intangible Assets Could be Impaired and Result in a Charge to Income.***

We have accounted for our acquisitions using the purchase method of accounting. Under the purchase method we have recorded, at fair value, assets acquired and liabilities assumed, and have recorded as goodwill, the difference between the cost of the acquisitions and the sum of the fair value of tangible and identifiable intangible assets acquired, less liabilities assumed. Definite-lived intangible assets have been segregated from goodwill and recorded based upon expected future recovery of the underlying assets. At December 31, 2009, our goodwill balance was \$962.7 million, \$743.3 million of which is attributable to the excess of the purchase price of Lummus over the fair value of assets and liabilities acquired. The remainder was attributable to past acquisitions within our CB&I Steel Plate Structures and CB&I Lummus sectors. In accordance with the FASB ASC's Intangibles-Goodwill and Other Topic 350, definite-lived intangible assets are initially recorded at fair value and amortized over their anticipated useful lives absent any indicators of impairment, while goodwill balances are not amortized to earnings, but instead are reviewed for impairment at least annually via a two-phase process, absent any indicators of impairment. The first phase screens for impairment, while the second phase, if necessary, measures impairment. We have elected to perform our annual analysis of goodwill during the fourth quarter of each year based upon balances as of the beginning of that year's fourth quarter. Impairment testing of goodwill is primarily accomplished by comparing an estimate of discounted future cash flows to the net book value of each applicable reporting unit. Upon completion of our 2009 impairment test for goodwill, no impairment charge was necessary as the fair value of each reporting unit sufficiently exceeded its net book value. However, in the future, if our remaining 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 our net worth.

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

Our future success depends on our ability to attract, retain and motivate highly skilled personnel in various areas, including engineering, project management, procurement, project controls, finance 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.

***Uncertainty in Enforcing U.S. Judgments Against Netherlands Corporations, Directors and Others Could Create Difficulties for Holders of Our Securities in Enforcing Any Judgments Obtained Against Us.***



We are a Netherlands company and a significant portion of our assets are located outside of the U.S. In addition, certain members of our management and supervisory boards are residents of countries other than the U.S. As a result, effecting service of process on such persons may be difficult, and judgments of U.S. 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 U.S., may be difficult to enforce.

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**Risk Factors Associated with Our Common Stock**

***If We Fail to Meet Expectations of Securities Analysts or Investors due to Fluctuations in Our Revenue or Operating Results, Our Stock Price Could Decline Significantly.***

Our revenue and earnings may fluctuate from quarter to quarter due to a number of factors, including the timing of or failure to obtain projects, delays in awards of projects, cancellations of projects, delays in the completion of projects and the timing of approvals of change orders from, or recoveries of claims against, our customers. It is likely that in some future quarters our operating results may fall below the expectations of securities analysts or investors. In this event, the trading price of our common stock could decline significantly.

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

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 shareholder voting requirements for certain significant transactions. Such provisions may delay, defer or prevent takeover attempts that shareholders might consider in their best interests. In addition, certain U.S. 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 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 U.S. federal income tax purposes if any U.S. person acquires 10% or more of our common shares (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 shares. We do not believe we currently 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 U.S. (the Treaty), dividends paid by us to certain U.S. corporate shareholders owning at least 10% of our voting power are generally eligible for a reduction of the 15% Netherlands withholding tax to 5%, unless the common shares held by such residents 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. The ability of a holder of common shares to take a credit against its U.S. taxable income for Netherlands withholding tax may be limited.

***As We Sell or Issue Additional Common Shares, Your Share 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 the strategic and opportunistic acquisition of complementary businesses. In order to successfully complete targeted acquisitions or fund our other activities, we may continue to issue, or issue in the future, additional equity securities that could dilute our earnings per share ( EPS ) and your share ownership.

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**FORWARD-LOOKING STATEMENTS**

This annual report on Form 10-K, including all documents incorporated by reference, contains forward-looking statements regarding CB&I and represents our expectations and beliefs concerning future events. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 as set forth in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. The forward-looking statements included herein or incorporated herein by reference include or may include, but are not limited to, (and you should read carefully) any statements that are predictive in nature, depend upon or refer to future events or conditions, or use or contain words, terms, phrases, or expressions such as achieve, forecast, plan, propose, strategy, envision, hope, will, continue, potential, anticipate, project, estimate, predict, intend, should, could, may, might, or similar words, terms, phrases, or expressions or the negative of any of these terms. Any statements in this Form 10-K that are not based on historical fact are forward-looking statements and represent our best judgment as to what may occur in the future.

Forward-looking statements involve known and unknown risks and uncertainties. In addition to the material risks listed under Item 1A. Risk Factors above that may cause business conditions or our actual results, performance or achievements to be materially different from those expressed or implied by any forward-looking statements, the following are some, but not all, of the factors that might cause business conditions or our actual results, performance or achievements to be materially different from those expressed or implied by any forward-looking statements, or contribute to such differences: the impact (and potential worsening) of the current turmoil or weakness in worldwide financial, credit, and economic markets on us or our backlog, prospects, clients, vendors or subcontractors, credit facilities, or compliance with lending covenants; our ability to realize cost savings from our expected performance of contracts, whether as a result of improper estimates, performance, or otherwise; uncertain timing and funding of new contract awards, as well as project cancellations; cost overruns on fixed price or similar contracts, whether as a result of improper estimates, performance, or otherwise; risks associated with labor productivity; risks associated with percentage-of-completion accounting; our ability to settle or negotiate unapproved change orders and claims; changes in the costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; adverse impacts from weather affecting our performance and timeliness of completion, which could lead to increased costs and affect the quality, costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; operating risks, which could lead to increased costs and affect the quality, costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; increased competition; fluctuating revenue resulting from a number of factors, including a decline in energy prices and the cyclical nature of the individual markets in which our customers operate; delayed or lower than expected activity in the hydrocarbon industry, demand from which is the largest component of our revenue; lower than expected growth in our primary end markets, including but not limited to LNG and energy processes; risks inherent in acquisitions and our ability to complete or obtain financing for proposed acquisitions; our ability to integrate and successfully operate and manage acquired businesses and the risks associated with those businesses; the non-competitiveness or unavailability of, or lack of demand or loss of legal protection for, our intellectual property rights; failure to keep pace with technological changes; failure of our patents or licensed technologies to perform as expected or to remain competitive, current, in demand, profitable or enforceable; adverse outcomes of pending claims or litigation or the possibility of new claims or litigation, and the potential effect of such claims or litigation on our business, financial condition, or results of operations; lack of necessary liquidity to provide bid, performance, advance payment and retention bonds, guarantees, or letters of credit securing our obligations under our bids and contracts or to finance expenditures prior to the receipt of payment for the performance of contracts; proposed and actual revisions to U.S. and non-U.S. tax laws, and interpretation of said laws, Dutch tax treaties with foreign countries and U.S. tax treaties with non-U.S. countries (including, but not limited to The Netherlands), which would seek to increase income taxes payable; political and economic conditions including, but not limited to, war, conflict or civil or economic unrest in countries in which we operate; compliance with applicable laws and regulations in any one or more of the countries in which we operate including, without limitation, the Foreign Corrupt Practices Act and those concerning the environment, export controls

and sanctions program; our inability to properly manage or hedge currency or similar risks; and a downturn, disruption, or stagnation in the economy in general.

Although we believe the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future performance or results. You should not unduly rely on any forward-looking statements. Each

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forward-looking statement is made and applies only as of the date of the particular statement, and we are not obligated to update, withdraw, or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should consider these risks when reading any forward-looking statements. All forward-looking statements attributed or attributable to us or to persons acting on our behalf are expressly qualified in their entirety by this paragraph entitled "Forward-Looking Statements".

**Item 1B. Unresolved Staff Comments**

We do not have any unresolved written comments from the SEC staff regarding our periodic or current reports under the Exchange Act that were received more than 180 days before December 31, 2009.

**Item 2. Properties**

We own or lease properties in U.S. and Non-U.S. locations to conduct our business. We believe these facilities are adequate to meet our current and near-term requirements. The following list summarizes our principal properties by the business sector for which they are primarily utilized (CB&I Steel Plate Structures or "SPS"; CB&I Lummus or "CBIL"; Lummus Technology or "LT"; and Corporate or "Corp"):

Location	Type of Facility	Interest	Sector
Al Aujam, Saudi Arabia	Fabrication facility and warehouse	Owned	SPS
Bolingbrook, Illinois(1)	Administrative and operations office	Leased	SPS, Corp
Clive, Iowa	Fabrication facility and operations office	Owned	SPS
Dammam, Saudi Arabia	Administrative and operations office	Leased	SPS
Dubai, United Arab Emirates	Administrative, engineering and operations office and warehouse	Leased	SPS
Fort Saskatchewan, Canada	Warehouse, fabrication facility and operations office	Owned	SPS
Houston, Texas	Fabrication facility and operations office	Owned	SPS
Niagara Falls, Canada	Engineering office	Leased	SPS
Perth, Australia	Administrative, engineering and operations office	Leased	SPS
Plainfield, Illinois	Engineering office	Leased	SPS
San Luis Obispo, California	Warehouse and fabrication facility	Owned	SPS
The Woodlands, Texas(1)	Administrative and operations office	Owned	SPS, CBIL, Corp
West Bay, Doha, Qatar	Operations office	Leased	SPS
Al-Khobar, Saudi Arabia	Administrative and engineering office	Leased	CBIL
Beaumont, Texas	Engineering and operations office and fabrication facility	Owned/Leased	CBIL
Brno, Czech Republic	Engineering office	Owned	CBIL
Cairo, Egypt	Engineering office	Leased	CBIL
Houston, Texas	Engineering offices and warehouse	Leased	CBIL
London, England	Engineering office	Leased	CBIL
Richardson, Texas	Engineering office	Leased	CBIL
Singapore, Singapore	Administrative and engineering office	Leased	CBIL
The Hague, The Netherlands(1)	Administrative, engineering and operations office	Leased	CBIL, Corp

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Tyler, Texas	Engineering and operations offices	Owned/Leased	CBIL
Beijing, China	Technology office	Leased	LT
Bloomfield, New Jersey	Technology office	Leased	LT
Ludwigshafen, Germany	Technology office	Leased	LT
Mannheim, Germany	Technology office	Leased	LT
New Delhi, India	Technology office	Leased	LT

(1) In addition to being utilized by the business sectors referenced above, our office in The Hague, The Netherlands serves as our corporate headquarters and The Woodlands, Texas office serves as our administrative headquarters. The Bolingbrook, Illinois office provides additional administrative support.

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

**Item 3. *Legal Proceedings***

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, technology licenses 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 timely completion of projects, performance of equipment or technologies, design or other engineering services or project construction services provided by us. Management does not currently believe that pending contractual, employment-related personal injury or property damage claims and disputes will have a material adverse effect on our future results of operations, financial position or cash flow.

*Asbestos Litigation* We are a defendant in 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. Through December 31, 2009, we have been named a defendant in lawsuits alleging exposure to asbestos involving approximately 4,800 plaintiffs and, of those claims, approximately 1,400 claims were pending and 3,400 have been closed through dismissals or settlements. Through December 31, 2009, the claims alleging exposure to asbestos that have been resolved have been dismissed or settled for an average settlement amount of approximately one thousand dollars per claim. With respect to unasserted asbestos claims, we cannot identify a population of potential claimants with sufficient certainty to determine the probability of a loss and to make a reasonable estimate of liability, if any. We review each case on its own merits and make accruals based on the probability of loss and our estimates of the amount of liability and related expenses, if any. We do not currently believe that any unresolved asserted claims will have a material adverse effect on our future results of operations, financial position or cash flow, and, at December 31, 2009, we had accrued approximately \$1.9 million for liability and related expenses. While we continue to pursue recovery for recognized and unrecognized contingent losses through insurance, indemnification arrangements or other sources, we are unable to quantify the amount, if any, that we may expect to recover because of the variability in coverage amounts, deductibles, limitations and viability of carriers with respect to our insurance policies for the years in question.

*Environmental Matters* Our operations are subject to extensive and changing U.S. federal, state and local laws and regulations, as well as the laws of other nations, that establish health and environmental quality standards. These standards, among others, relate to air and water pollutants and the management and disposal of hazardous substances and wastes. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, 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 from whom we have purchased or to whom we have sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred.

We believe that we are currently in compliance, in all material respects, with all environmental laws and regulations. We do not currently believe that any environmental matters will have a material adverse effect on our future results of operations or financial position. We do not anticipate that we will incur material capital expenditures for environmental controls or for the investigation or remediation of environmental conditions during 2010 or 2011.

**Item 4. *Submission of Matters to a Vote of Security Holders***



No matters were submitted to a vote of security holders during the fourth quarter ended December 31, 2009.

**Table of Contents****PART II****Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is traded on the NYSE. As of February 1, 2010, we had approximately 67,000 shareholders, based upon the number of record holders at that date. The following table presents the range of common stock prices on the NYSE and the cash dividends paid per share of common stock by quarter for the years ended December 31, 2009 and 2008:

	<b>Range of Common Stock Prices</b>			<b>Dividends</b>
	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>per Share</b>
<b>Year Ended December 31, 2009</b>				
Fourth Quarter	\$ 21.44	\$ 17.00	\$ 20.22	\$
Third Quarter	\$ 19.00	\$ 9.07	\$ 18.68	\$
Second Quarter	\$ 13.87	\$ 5.95	\$ 12.40	\$
First Quarter	\$ 13.88	\$ 4.64	\$ 6.27	\$
<b>Year Ended December 31, 2008</b>				
Fourth Quarter	\$ 19.32	\$ 5.12	\$ 10.05	\$ 0.04
Third Quarter	\$ 40.20	\$ 15.90	\$ 19.24	\$ 0.04
Second Quarter	\$ 49.82	\$ 37.50	\$ 39.82	\$ 0.04
First Quarter	\$ 63.50	\$ 35.21	\$ 39.24	\$ 0.04

Dividends were suspended beginning in the first quarter of 2009. Any future cash dividends will depend upon our results of operations, financial condition, cash requirements, availability of surplus and such other factors as our Board of Directors may deem relevant.

The following table summarizes information, as of December 31, 2009, relating to our equity compensation plans pursuant to which grants of options or other rights to acquire our common shares may be granted from time to time:

**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>

Equity compensation plans approved by security holders	2,146,231	\$ 13.13	6,872,156
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,146,231	\$ 13.13	6,872,156

On August 18, 2009, we entered into a Sales Agency Agreement with Calyon, pursuant to which we may issue and sell from time to time, through Calyon as the Company's sales agent, up to 10.0 million shares (the Shares). The Shares are registered under the Securities Act of 1933, as amended, pursuant to the Company's shelf registration statement (the Registration Statement) on Form S-3 (File No. 333-160852), which became effective upon filing with the SEC on July 29, 2009.

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The offering of the Shares commenced on August 24, 2009, and for the year ended December 31, 2009, 2,448,683 shares of our common stock have been sold, resulting in aggregate proceeds of \$43.6 million, net of the associated expenses, as detailed below.

The following table sets forth the estimated expenses incurred, from the date of the Registration Statement through December 31, 2009, in connection with the issuance and distribution of the Shares:

Underwriting commissions	\$ 777
Legal fees and expenses	118
Accounting fees and expenses	54
Printing expenses	8
SEC registration fee	8
Miscellaneous fees and expenses	1
 Total	 \$ 966

(Note: Values in the table above are in 000 s of dollars.)

We expect to use net proceeds from sales of the Shares for general corporate purposes, which may include capital expenditures, working capital, acquisitions, repayment or refinancing of indebtedness, investments in our subsidiaries, or repurchasing, converting or redeeming our securities. Funds not required immediately for such purposes may be invested in marketable securities and short-term investments.

**Table of Contents****Item 6. Selected Financial Data**

We derived the following summary financial and operating data for the five years ended December 31, 2005 through 2009 from our audited Consolidated Financial Statements, except for Other Data. You should read this information together with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements, including the related notes, appearing in Item 8. Financial Statements and Supplementary Data.

	<b>Years Ended December 31,</b>				
	<b>2009</b>	<b>2008(3)</b>	<b>2007(4)</b>	<b>2006</b>	<b>2005</b>
	<b>(In thousands, except per share and employee data)</b>				
<b>Income Statement Data</b>					
Revenue	\$ 4,556,503	\$ 5,944,981	\$ 4,363,492	\$ 3,125,307	\$ 2,257,517
Cost of revenue	4,033,783	5,711,831	4,006,643	2,843,554	2,109,113
Gross profit	522,720	233,150	356,849	281,753	148,404
Selling and administrative expenses	204,911	215,457	153,667	133,769	106,937
Intangibles amortization	23,326	24,039	3,996	1,572	1,499
Other operating expense (income), net(1)	15,324	(464)	(1,274)	773	(10,267)
Equity earnings	(35,064)	(41,092)	(5,106)		
Income from operations	314,223	35,210	205,566	145,639	50,235
Interest expense	(21,383)	(21,109)	(7,269)	(4,751)	(8,858)
Interest income	1,817	8,426	31,121	20,420	6,511
Income before taxes	294,657	22,527	229,418	161,308	47,888
Income tax expense	(114,917)	(37,470)	(57,354)	(38,127)	(28,379)
Net income (loss)	179,740	(14,943)	172,064	123,181	19,509
Less: Net income attributable to noncontrolling interests	(5,451)	(6,203)	(6,424)	(6,213)	(3,532)
Net income (loss) attributable to CB&I	\$ 174,289	\$ (21,146)	\$ 165,640	\$ 116,968	\$ 15,977
<b>Per Share Data</b>					
Net income (loss) attributable to CB&I per share basic	\$ 1.82	\$ (0.22)	\$ 1.73	\$ 1.21	\$ 0.16
Net income (loss) attributable to CB&I per share diluted	\$ 1.79	\$ (0.22)	\$ 1.71	\$ 1.19	\$ 0.16
Cash dividends per share	\$	\$ 0.16	\$ 0.16	\$ 0.12	\$ 0.12
<b>Balance Sheet Data</b>					
Goodwill	\$ 962,690	\$ 962,305	\$ 942,344	\$ 229,460	\$ 230,126
Total assets	\$ 3,016,767	\$ 3,000,718	\$ 3,153,423	\$ 1,784,412	\$ 1,377,819
Long-term debt	\$ 80,000	\$ 120,000	\$ 160,000	\$	\$ 25,000

Total equity	\$ 897,290	\$ 573,853	\$ 738,577	\$ 548,025	\$ 490,376
<b>Cash Flow Data</b>					
Cash flows provided by operating activities	\$ 247,413	\$ 26,309	\$ 446,395	\$ 476,129	\$ 164,999
Cash flows used in investing activities	\$ (22,366)	\$ (121,249)	\$ (904,328)	\$ (78,599)	\$ (26,350)
Cash flows provided by (used in) financing activities	\$ 12,732	\$ (122,716)	\$ 144,361	\$ (112,071)	\$ (41,049)

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	<b>Years Ended December 31,</b>				
	<b>2009</b>	<b>2008(3)</b>	<b>2007(4)</b>	<b>2006</b>	<b>2005</b>
	<b>(In thousands, except per share and employee data)</b>				
<b>Other Financial Data</b>					
Gross profit percentage	11.5%	3.9%	8.2%	9.0%	6.6%
Depreciation and amortization	\$ 79,531	\$ 78,244	\$ 39,764	\$ 28,026	\$ 18,216
Capital expenditures	\$ 47,839	\$ 124,595	\$ 88,308	\$ 80,352	\$ 36,869
<b>Other Data</b>					
New awards(2)	\$ 6,113,586	\$ 4,286,792	\$ 6,203,243	\$ 4,429,283	\$ 3,279,445
Backlog(2)	\$ 7,199,462	\$ 5,681,008	\$ 7,698,643	\$ 4,560,629	\$ 3,199,395
Number of employees:					
Salaried	7,116	8,523	7,779	3,863	3,218
Hourly and craft	8,639	10,295	9,516	8,238	6,773

- (1) Other operating expense (income), net, generally represents losses (gains) on the sale of property and equipment. However, included in 2009 were severance costs, costs associated with the reorganization of our business sectors in early 2009, and costs associated with the closure of certain fabrication facilities in the U.S. and South America, partially offset by a gain associated with the sale of a noncontrolling equity investment held by our CB&I Lummus business sector.
- (2) New awards represent the value of new project commitments received by us during a given period. These commitments are included in backlog until work is performed and revenue is recognized, or until cancellation. Backlog may fluctuate with currency movements.
- (3) Our 2008 results of operations include charges totaling approximately \$457,000 associated with additional projected costs to complete the South Hook and Isle of Grain II projects in the U.K. For additional information regarding these projects, see the Results of Operations section in Item 7.
- (4) Our 2007 and subsequent results of operations include the operating results of Lummus commencing on November 16, 2007, its acquisition date.

**Table of Contents****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is provided to assist readers in understanding our financial performance during the periods presented and significant trends which may impact our future performance. This discussion should be read in conjunction with our Consolidated Financial Statements and the related notes thereto included within Item 8. Financial Statements and Supplementary Data.

CB&I is an integrated EPC provider and major process technology licensor. Founded in 1889, CB&I provides conceptual design, technology, engineering, procurement, fabrication, construction, commissioning and associated maintenance services to customers in the energy and natural resource industries.

*Change in Reporting Segments* Beginning in the first quarter of 2009, our management structure and internal and public segment reporting were aligned based upon three distinct business sectors, rather than our historical practice of reporting based upon discrete geographic regions and Lummus Technology. These three business sectors are CB&I Steel Plate Structures, CB&I Lummus (which includes Energy Processes and LNG terminal projects) and Lummus Technology. Our discussion and analysis below reflects this change.

**RESULTS OF OPERATIONS**

Our new awards, revenue and income from operations by reporting segment are as follows:

Years Ended December 31,	2009	2008	2007	2009 vs. 2008		2008 vs. 2007	
				\$	%	\$	%
				(In thousands)			
<b>New Awards (1)</b>							
CB&I Steel Plate Structures	\$ 2,216,246	\$ 2,562,599	\$ 1,808,261	\$ (346,353)	(14)%	\$ 754,338	42%
CB&I Lummus	3,585,741	1,218,990	4,383,482	2,366,751	194%	(3,164,492)	(72)%
Lummus Technology	311,599	505,203	11,500	(193,604)	(38)%	493,703	4293%
Total New Awards	\$ 6,113,586	\$ 4,286,792	\$ 6,203,243	\$ 1,826,794	43%	\$ (1,916,451)	(31)%
<b>Revenue</b>							
CB&I Steel Plate Structures	\$ 1,650,271	\$ 2,011,911	\$ 1,753,239	\$ (361,640)	(18)%	\$ 258,672	15%
CB&I Lummus	2,542,834	3,494,398	2,569,280	(951,564)	(27)%	925,118	36%
Lummus Technology	363,398	438,672	40,973	(75,274)	(17)%	397,699	971%
Total Revenue	\$ 4,556,503	\$ 5,944,981	\$ 4,363,492	\$ (1,388,478)	(23)%	\$ 1,581,489	36%
<b>Income (Loss) From Operations</b>							
CB&I Steel Plate Structures	\$ 147,194	\$ 214,386	\$ 215,307	\$ (67,192)	(31)%	\$ (921)	0%
CB&I Lummus	86,127	(289,935)	(16,228)	376,062	130%	(273,707)	(1687)%
Lummus Technology	80,902	110,759	6,487	(29,857)	(27)%	104,272	1607%
Total Income From Operations	\$ 314,223	\$ 35,210	\$ 205,566	\$ 279,013	792%	\$ (170,356)	(83)%



- (1) New awards represent the value of new project commitments received by us during a given period. These commitments are included in backlog until work is performed and revenue is recognized, or until cancellation.

*Current Market Conditions* Although the global marketplace has stabilized to some degree from the extreme volatility at the beginning of 2009 and crude oil prices have rebounded, there remains a degree of

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uncertainty in our markets around the world, with a risk that our current and prospective projects may be delayed or canceled.

We continue to have a broad diversity within the entire energy project spectrum, with approximately 70% of our 2009 revenue coming from outside the U.S. Our revenue mix will continue to evolve consistent with changes in our backlog mix, as well as shifts in future global demand. With the decrease in gasoline consumption, U.S. refinery investments previously projected have slowed. However, we currently anticipate that investment in Steel Plate Structures and Energy Processes projects will remain strong in many parts of the world. LNG investment also continues, with liquefaction projects increasing in comparison to regasification projects in certain geographies.

## **2009 VERSUS 2008**

### **Consolidated Results**

*New Awards/Backlog* During 2009, new awards, representing the value of new project commitments received during a given period, were \$6.1 billion, compared with \$4.3 billion during 2008. These commitments are included in backlog until work is performed and revenue is recognized, or until cancellation. The increase in new awards over the comparable prior-year period was primarily a result of two significant awards during 2009 for CB&I Lummus; a refinery award in Colombia (in excess of \$1.4 billion) and a gas plant in Papua New Guinea (in excess of \$1.0 billion). Our 2009 new awards were distributed among our business sectors as follows: CB&I Steel Plate Structures \$2.2 billion (36%), CB&I Lummus \$3.6 billion (59%), and Lummus Technology \$311.6 million (5%). See *Segment Results* below for further discussion.

Backlog at December 31, 2009 was approximately \$7.2 billion, compared with \$5.7 billion at December 31, 2008, representing a \$1.5 billion increase, which is primarily a result of the significant 2009 awards noted above. As of December 31, 2009, more than 75% of our backlog was for work outside the U.S.

*Revenue* Revenue for 2009 was \$4.6 billion, representing a \$1.4 billion decrease (23%) from 2008. Revenue decreased \$361.6 million (18%) for CB&I Steel Plate Structures, \$951.6 million (27%) for CB&I Lummus and \$75.3 million (17%) for Lummus Technology. See *Segment Results* below for further discussion.

*Gross Profit* Gross profit was \$522.7 million (11.5% of revenue) for 2009 compared with \$233.2 million (3.9% of revenue) for 2008. During 2008, CB&I Lummus recognized a \$457.0 million charge associated with the South Hook and Isle of Grain II projects in the U.K. ( the U.K. Projects ). Although 2009 reflects a \$77.0 million charge for the South Hook project, the year benefited from a favorable second quarter claim settlement for CB&I Lummus and a favorable project gross profit mix across all business sectors, offset partially by higher pre-contract costs and lower overhead recoveries on lower revenue volume.

*Selling and Administrative Expenses* Selling and administrative expenses for 2009 were \$204.9 million (4.5% of revenue), compared with \$215.5 million (3.6% of revenue) for 2008. The absolute dollar decrease as compared to 2008 is primarily attributable to a significant reduction in our global and business sector administrative support costs, partly offset by higher incentive program costs in 2009.

*Equity Earnings* Equity earnings totaled \$35.1 million for 2009, compared to \$41.1 million for 2008. The decrease is due primarily to 2008 including higher technology licensing and catalyst sales for various proprietary technologies in joint venture investments of Lummus Technology.

*Other Operating Expense (Income)* Other operating expense for 2009 was \$15.3 million versus income of (\$0.5) million in 2008. The current year included significant severance costs in all business sectors, costs associated

with the reorganization of our business sectors in early 2009, and costs associated with the closure of certain fabrication facilities in the U.S. and South America, which were completed in the fourth quarter of 2009. The reorganization and closure costs were related to our CB&I Lummus and CB&I Steel Plate Structures business sectors. These costs were partly offset by a gain associated with the sale of a noncontrolling equity investment held by CB&I Lummus.

*Income from Operations* Income from operations for 2009 was \$314.2 million versus income from operations of \$35.2 million during 2008. The increase was due to the reasons noted above. See *Segment Results* below for further discussion.

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*Interest Expense and Interest Income* Interest expense was \$21.4 million during 2009, compared with \$21.1 million during 2008. The higher 2009 expense reflects the full year impact of higher costs resulting from the amendment of our credit facilities in the second half of 2008, offset partially by a lower debt balance. Interest income was \$1.8 million during 2009, compared with \$8.4 million for 2008. The decrease was due to lower average short-term investment levels and lower rates of return.

*Income Tax Expense* Income tax expense for 2009 was \$114.9 million (39.0% of pre-tax income), versus income tax expense of \$37.5 million (166.3% of pre-tax income) in 2008. Our 2008 income tax rate was impacted by the aforementioned charges on the U.K. Projects, for which we did not provide an income tax benefit for their net losses in the third and fourth quarters of 2008. Our 2009 income tax rate also reflects the impact of project losses in the U.K., where we have not provided an associated income tax benefit, partially offset by the income tax benefit of previously unrecognized net operating losses utilized during the current year in other jurisdictions, primarily The Netherlands. We expect our 2010 rate to fall within the range of 30% to 33%.

*Net Income Attributable to Noncontrolling Interests* Net income attributable to noncontrolling interests for 2009 was \$5.5 million compared with \$6.2 million for 2008. The changes compared with 2008 are commensurate with the levels of applicable operating income.

## **Segment Results**

### **CB&I Steel Plate Structures**

*New Awards/Backlog* During 2009, new awards were \$2.2 billion, compared with \$2.6 billion in the comparable prior-year period. Significant new awards during 2009 included low temperature/cryogenic and ambient storage tanks in the Middle East (approximately \$530.0 million), LNG and condensate storage tanks in Australia (approximately \$550.0 million), a crude oil terminal expansion project in Panama (approximately \$100.0 million) and an LNG expansion project in the U.S. (approximately \$100.0 million). Significant new awards during 2008 included an oil sands storage terminal and LNG peak shaving facility in Canada (approximately \$400.0 million and \$150.0 million, respectively), two nuclear containment vessels in the U.S. (approximately \$336.0 million), an expansion project in Australia, and additional tanks at an LNG import terminal in China.

*Revenue* Revenue was \$1.7 billion during 2009, representing a decrease of \$361.6 million (18%), compared with 2008. The decrease was primarily due to 2009 awards coming in the back half of the year, reduced oil sands related work in Canada, reduced activity in the U.S. and the wind down of a large project in Australia.

*Income from Operations* Income from operations for 2009 was \$147.2 million (8.9% of revenue), versus \$214.4 million (10.7% of revenue) during 2008. Our project gross profit mix was comparable between 2009 and 2008; however, our 2009 results were impacted by lower revenue volume and associated lower overhead recoveries and higher pre-contract costs. The current year was also negatively impacted by closure costs for fabrication facilities in the U.S. and South America and severance costs totaling approximately \$5.9 million.

### **CB&I Lummus**

*New Awards/Backlog* During 2009, new awards were \$3.6 billion, compared with \$1.2 billion in 2008. Significant new awards for 2009 included a refinery in Colombia (in excess of \$1.4 billion) and a gas plant in Papua New Guinea (in excess of \$1.0 billion). Additionally, during 2009 and 2008, we were awarded various energy processes awards throughout the world.

*Revenue* Revenue was \$2.5 billion during 2009, representing a decrease of \$951.6 million (27%), compared with 2008. Our 2009 results were impacted by a lower volume of LNG terminal work in the U.S., Europe and South America, partially offset by higher revenue for refinery work in South America and Europe.

*Income (Loss) from Operations* Income from operations for 2009 was \$86.1 million (3.4% of revenue), versus a loss from operations of (\$289.9) million (8.3% of revenue) during 2008. Included in our 2008 results was a \$457.0 million charge for the U.K. Projects. Although our 2009 results included a \$77.0 million charge for the South Hook project and included severance costs, closure costs for a fabrication facility in the U.S., higher pre-contract costs, and lower overhead recoveries on lower revenue volume, the year benefited from a favorable second quarter

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claim settlement and a favorable project gross profit mix. Facility closure and severance costs, net of a gain associated with the sale of a noncontrolling equity investment, totaled approximately \$6.8 million in 2009.

The additional 2009 charges for the South Hook project reflect continued cost increases resulting from poor labor productivity and subcontractor performance, which extended our schedule for completion beyond our previous estimates. Specific factors impacting our changes in previous estimates are as follows:

We experienced continued poor labor productivity and subcontractor performance.

While the projects workforce was reduced throughout 2009, as we approached progress completion, we were unable to achieve the rate of reduction anticipated in our estimates.

Absenteeism, intermittent labor walkouts and labor strike activity continued as we approached project completion. This impacted the scheduling of work and increased inefficiencies, which further impacted productivity and costs.

Control of the site was transferred from CB&I to the project owner during 2009, which required a more stringent permit to work process that was also controlled by the owner. This transfer of control resulted in delays to our work processes and increased costs.

As of December 31, 2009, the project was essentially complete.

## **Lummus Technology**

*New Awards/Backlog* During 2009, new awards were \$311.6 million, compared with \$505.2 million in the comparable prior year period. Significant 2009 new awards included an ethylene cracking heaters award (approximately \$40.0 million). During 2008, significant awards included heat transfer equipment for a petrochemical complex in the Middle East (approximately \$140.0 million), and a licensing and engineering award for a petrochemical complex in India.

*Revenue* Revenue was \$363.4 million for 2009, representing a decrease of \$75.3 million (17%), compared with 2008. Our 2009 results were impacted by a lower opening backlog entering into 2009 than 2008 and fewer 2009 licensing and heater supply contracts, reflecting the uncertainty in the markets in late 2008 and early 2009.

*Income from Operations* Income from operations for 2009 was \$80.9 million (22.3% of revenue), versus \$110.8 million (25.2% of revenue) during 2008. Our 2009 results were impacted by lower revenue volume, lower equity earnings due to fewer joint venture licensing awards, and severance costs totaling approximately \$2.6 million, offset partially by a favorable project gross profit mix and lower research and development and selling and administrative costs.

## **2008 VERSUS 2007**

Our 2008 and 2007 results, as well as the related discussion below, have been reported consistent with the aforementioned new business sector structure.

## **Consolidated Results**

*New Awards/Backlog* During 2008, new awards were \$4.3 billion, compared with \$6.2 billion during 2007. The decrease in new awards over the comparable prior-year period was primarily due to the delay of several opportunities

during 2008, including a Colombian refinery project that was awarded during the fourth quarter of 2009. Additionally, the prior year included significant LNG terminal awards in South America and the U.K for CB&I Lummus. New awards in 2008 were distributed among our business sectors as follows: CB&I Steel Plate Structures \$2.6 billion (60%), CB&I Lummus \$1.2 billion (28%) and Lummus Technology \$505.2 million (12%). See *Segment Results* below for further discussion.

Backlog at December 31, 2008 was approximately \$5.7 billion, compared with \$7.7 billion at December 31, 2007, representing a \$2.0 billion decrease, primarily due to lower 2008 awards.

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**Revenue** Revenue for 2008 was \$5.9 billion, representing a \$1.6 billion increase (36%) from 2007. We experienced revenue growth in all business sectors, including \$258.7 million (15%) for CB&I Steel Plate Structures, \$925.1 million (36%) for CB&I Lummus, and \$397.7 million (971%) for Lummus Technology. Approximately \$500.0 million of the CB&I Lummus increase was a result of our November 2007 Lummus acquisition, the operations of which reside in our CB&I Lummus and Lummus Technology business sectors. See *Segment Results* below for further discussion.

**Gross Profit** Gross profit was \$233.2 million (3.9% of revenue) for 2008 compared with \$356.8 million (8.2% of revenue) for 2007. The decrease in gross profit was primarily attributable to the following factors:

Continued poor labor productivity, significant weather delays and the need to supplement critical subcontractor areas adversely impacted the schedules for the U.K. Projects and necessitated substantial expenditures during 2008 well above previous estimates. Consequently, the schedule for achieving first gas for the South Hook LNG project was delayed to 2009 and projected costs increased. While experiencing similar issues during 2008, the Isle of Grain II LNG project received first gas in line with our revised schedule in November 2008 and achieved gas out in late December 2008. As a result of the aforementioned, we recognized charges to earnings of \$358.0 million and \$99.0 million during 2008 for South Hook and Isle of Grain II, respectively. Charges for the South Hook project during 2007 totaled approximately \$97.7 million.

Gross profit in CB&I Lummus was also unfavorably impacted by increased forecasted materials and associated construction labor costs on a project in the U.S., the majority of which were incurred during the first quarter of 2008.

Gross profit in CB&I Steel Plate Structures was favorably impacted during 2007 by a cancellation provision on an LNG tank project in Canada.

Gross profit for 2008, excluding the \$457.0 million charge for the U.K. Projects, was \$690.2 million (approximately 11.0% of revenue). The improvement over 2007 is primarily a result of the contribution of our acquired Lummus Technology business and solid project execution of 2007 year-end backlog and 2008 new awards.

**Selling and Administrative Expenses** Selling and administrative expenses for 2008 were \$215.5 million (3.6% of revenue), compared with \$153.7 million (3.5% of revenue) for 2007. The absolute dollar increase as compared to 2007 was primarily attributable to incremental costs associated with our acquired Lummus business and growth in global administrative support costs, partly offset by lower 2008 performance-based compensation expense.

**Equity Earnings** Equity earnings of \$41.1 million during 2008 were generated from technology licensing and catalyst sales for various proprietary technologies in joint venture investments of Lummus Technology. Post-acquisition equity earnings during 2007 totaled \$5.1 million.

**Income from Operations** Income from operations for 2008 was \$35.2 million compared to \$205.6 million during 2007. As described above, our 2008 results benefited, on a net basis, from our November 2007 acquisition of Lummus, and general solid execution of our backlog and new awards, offset by charges for the U.K. Projects. See *Segment Results* below for further discussion.

**Interest Expense and Interest Income** Interest expense was \$21.1 million during 2008, compared with \$7.3 million during 2007. The increase of \$13.8 million was primarily due to higher average debt levels resulting from borrowings utilized to fund a portion of our Lummus acquisition. Borrowings associated with the Lummus acquisition included a \$200.0 million five-year term loan and periodic borrowings under our revolving credit facility. Interest income was \$8.4 million during 2008, compared with \$31.1 million for 2007. The decrease of \$22.7 million was due to lower



short-term investment levels resulting from cash utilized to fund the U.K. Projects and the balance of our Lummus acquisition.

*Income Tax Expense* Income tax expense for 2008 was \$37.5 million (166.3% of pre-tax income) versus \$57.4 million (25.0% of pre-tax income) in 2007. Our 2008 tax rate was negatively impacted as we did not provide an income tax benefit for \$128.0 million of net losses incurred in the U.K. during the second half of 2008.

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*Net Income Attributable to Noncontrolling Interests* Net income attributable to noncontrolling interests for 2008 was \$6.2 million compared with \$6.4 million for 2007. The changes compared with 2007 were commensurate with the levels of applicable operating income.

## **Segment Results**

### **CB&I Steel Plate Structures**

*New Awards/Backlog* During 2008, new awards were \$2.6 billion, compared with \$1.8 billion in the comparable prior-year period. Significant new awards in 2008 included an oil sands storage terminal and LNG peak shaving facility in Canada (approximately \$400.0 million and \$150.0 million, respectively), two nuclear containment vessels in the U.S. (approximately \$336.0 million), an expansion project in Australia, and additional tanks at an LNG import terminal in China. New awards in 2007 included a storage facility in Australia (approximately \$373.0 million), and various smaller awards.

*Revenue* Revenue was \$2.0 billion during 2008, representing an increase of \$258.7 million (15%), compared with 2007. Revenue in 2008 was impacted by growth in Canada and the Middle East and significant beginning of the year backlog in Australia.

*Income from Operations* Income from operations for 2008 was \$214.4 million (10.7% of revenue), versus \$215.3 million (12.3% of revenue) during 2007. Although 2008 benefited from higher revenue volume compared to 2007, the prior year results benefited from the impact of a cancellation provision on a project in Canada.

### **CB&I Lummus**

*New Awards/Backlog* During 2008, new awards were \$1.2 billion, compared with \$4.4 billion in 2007. 2008 included various energy processes awards throughout the world. Awards in 2007 included the Peru LNG liquefaction and Chile LNG regasification terminal awards (approximately \$1.5 billion and \$775.0 million, respectively), and a U.K. LNG terminal award (approximately \$500.0 million).

*Revenue* Revenue was \$3.5 billion during 2008, representing an increase of \$925.1 million (36%), compared with 2007. The increase in 2008 was primarily attributable to revenue associated with the acquired Lummus EPC business, totaling \$563.2 million, as well as the impact of significant beginning of the year LNG backlog in the U.S. and South America.

*Loss from Operations* Loss from operations for 2008 was (\$289.9) million (8.3% of revenue), versus (\$16.2) million (0.6% of revenue) during 2007. Results for 2008 were unfavorably impacted by the aforementioned charges on the U.K. Projects and a project in the U.S., offset partially by the net benefit of the acquired Lummus EPC business. Loss from operations in 2007 included charges on the South Hook project totaling approximately \$97.7 million.

### **Lummus Technology**

*New Awards/Backlog* During 2008, new awards were \$505.2 million, including an award for heat transfer equipment for a petrochemical complex in the Middle East (approximately \$140.0 million), and a licensing and engineering award for a petrochemical complex in India. Post-acquisition new awards during 2007 totaled approximately \$11.5 million.

*Revenue* Revenue was \$438.7 million for 2008, reflecting the strength of licensing and heater supply contracts. 2007 post-acquisition revenue totaled \$41.0 million.

*Income from Operations* Income from operations for 2008 was \$110.8 million (25.2% of revenue) versus \$6.5 million (15.8% of revenue) during 2007, representing a favorable project mix on higher 2008 revenue volume.

## **LIQUIDITY AND CAPITAL RESOURCES**

*Cash and Cash Equivalents* At December 31, 2009, cash and cash equivalents totaled \$326.0 million.

*Operating* During 2009, our cash flows from operations totaled \$247.4 million, as cash generated from our earnings was partly offset by an overall increase in working capital levels. The increase in working capital was a

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result of decreases in accounts payable (\$220.1 million), primarily attributable to payments on our major CB&I Lummus LNG projects, partially offset by decreases in accounts receivable (\$117.8 million), primarily from collections on our major CB&I Lummus LNG projects and Lummus Technology projects, and decreases in our net contracts in progress balance (\$37.1 million) primarily for our significant CB&I Steel Plate Structures projects.

*Investing* During 2009, we invested \$49.8 million, including \$47.8 million for capital expenditures in support of projects and facilities and \$2.0 million for a Lummus Technology acquisition. For 2010, capital expenditures are anticipated to be in the \$50.0 to \$60.0 million range. These expenditures were partially offset by \$27.5 million of proceeds from the sale of a noncontrolling equity investment during the third quarter and sales of property and equipment in connection with the closure of facilities in the U.S. and normal operations.

We continue to evaluate and selectively pursue opportunities for additional expansion of our business through acquisition of complementary businesses. These acquisitions, if they arise, may involve the use of cash or may require further debt or equity financing.

*Financing* During 2009, net cash flows from financing activities totaled \$12.7 million, primarily resulting from the issuance of shares associated with our Share Issuance Program discussed below (net proceeds of \$43.6 million) and our stock-based compensation plans (\$9.5 million). Uses of cash primarily related to an installment payment on our Term Loan (see below) in the fourth quarter totaling \$40.0 million. Dividends were suspended beginning in the first quarter of 2009.

To raise additional capital, effective August 18, 2009, we entered into a Sales Agency Agreement pursuant to which we may issue and sell from time to time through our sales agent, up to 10.0 million shares of our common stock. We expect to use net proceeds from sales of our common stock for general corporate purposes. During 2009, we sold 2,448,683 shares for net proceeds of \$43.6 million.

Our primary internal source of liquidity is cash flow generated from operations. Capacity under a revolving credit facility is also available, if necessary, to fund operating or investing activities. We have a five-year \$1.1 billion, committed and unsecured revolving credit facility (the Revolving Facility), with JPMorgan Chase Bank, N.A., as administrative agent, and Bank of America, N.A., as syndication agent, which terminates in October 2011. As of December 31, 2009, no direct borrowings were outstanding under the facility, but we had issued \$406.6 million of letters of credit. Such letters of credit are generally issued to customers in the ordinary course of business to support advance payments and performance guarantees or in lieu of retention on our contracts. As of December 31, 2009, we had \$693.4 million of available capacity under the facility. The facility has a borrowing sublimit of \$550.0 million and certain restrictive covenants, the most restrictive of which include a maximum leverage ratio, a minimum fixed charge coverage ratio and a minimum net worth level. It also places restrictions regarding subsidiary indebtedness, sales of assets, liens, investments, type of business conducted and mergers and acquisitions, among other restrictions. In the event that we were to borrow funds under the facility, interest would be assessed at either prime plus an applicable floating margin or LIBOR plus an applicable floating margin.

In addition to the Revolving Facility, we have three committed and unsecured letter of credit and term loan agreements (the LC Agreements) with Bank of America, N.A., as administrative agent, JPMorgan Chase Bank, N.A., and various private placement note investors. Under the terms of the LC Agreements, either banking institution (the LC Issuers) can issue letters of credit. In the aggregate, they provide up to \$275.0 million of capacity. As of December 31, 2009, no direct borrowings were outstanding under the LC Agreements, but all three tranches were fully utilized. Tranche A, a \$50.0 million facility, and Tranche B, a \$100.0 million facility, are both five-year facilities which terminate in November 2011. Tranche C is an eight-year, \$125.0 million facility expiring in November 2014. The LC Agreements have certain restrictive covenants, the most restrictive of which include a minimum net worth level, a minimum fixed charge coverage ratio and a maximum leverage ratio. They also include restrictions with

regard to subsidiary indebtedness, sales of assets, liens, investments, type of business conducted, affiliate transactions, sales and leasebacks, and mergers and acquisitions, among other restrictions. In the event of default under the LC Agreements, including our failure to reimburse a draw against an issued letter of credit, the LC Issuers could transfer their claim against us, to the extent such amount is due and payable by us under the LC Agreements, to the private placement lenders, creating a term loan that is due and payable no later than the stated maturity of the respective LC Agreement. In addition to quarterly letter of credit fees that we pay under the LC Agreements, to the extent that a term loan is in effect, we would be assessed a floating rate of interest over LIBOR.

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Additionally, we have a \$200.0 million unsecured Term Loan facility (the **Term Loan**) with JPMorgan Chase Bank, N.A., as administrative agent, and Bank of America, N.A., as syndication agent. Interest under the Term Loan has been based upon LIBOR plus an applicable floating margin and is paid quarterly in arrears. At our election, we may borrow at prime plus an applicable floating credit margin. We also have an interest rate swap that provides for an interest rate of approximately 5.57%, inclusive of the applicable floating margin. The Term Loan will continue to be repaid in equal installments of \$40.0 million per year, with the last principal payment due in November 2012. It has similar restrictive covenants to the ones noted above for the Revolving Facility.

We also have various short-term, uncommitted revolving credit facilities (the **Uncommitted Facilities**) across several geographic regions of approximately \$1.3 billion. 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 and performance guarantees or in lieu of retention on our contracts. At December 31, 2009, we had available capacity of \$535.8 million under these 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.

We could be impacted as a result of the current global financial, credit, and economic crisis if our customers delay or cancel projects, if our customers experience a material change in their ability to pay us, if we are unable to meet our restrictive covenants, or if the banks associated with our current Revolving Facility, LC Agreements, Term Loan, and Uncommitted Facilities, were to cease or reduce operations.

We were in compliance with all restrictive lending covenants as of December 31, 2009; however, our ability to remain in compliance with, and the corresponding availability of, such lending facilities could be impacted by circumstances or conditions beyond our control caused by the global financial, credit, and economic crisis, including but not limited to, cancellation of contracts, changes in currency exchange or interest rates, performance of pension plan assets, or changes in actuarial assumptions.

For a further discussion of letters of credit and surety bonds, as well as the Term Loan, see Notes 8 and 11 to our Consolidated Financial Statements included in **Item 8. Financial Statements and Supplementary Data**.

As of December 31, 2009, the following commitments were in place to support our ordinary course obligations:

<b>Commitments</b>	<b>Total</b>	<b>Amounts by Expiration Period</b>			
		<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>4-5 Years</b>	<b>After 5 Years</b>
Letters of credit/bank guarantees	\$ 1,482,648	\$ 739,210	\$ 726,481	\$ 14,823	\$ 2,134
Surety bonds	247,623	179,571	68,052		
<b>Total commitments</b>	<b>\$ 1,730,271</b>	<b>\$ 918,781</b>	<b>\$ 794,533</b>	<b>\$ 14,823</b>	<b>\$ 2,134</b>

Note: Letters of credit include \$31.5 million of letters of credit issued in support of our insurance program.

Contractual obligations at December 31, 2009 are summarized below:

**Payments Due by Period**

<b>Contractual Obligations</b>	<b>Total</b>	<b>Less than 1 Year</b>	<b>1-3 Years (In thousands)</b>	<b>4-5 Years</b>	<b>After 5 Years</b>
Term Loan(1)	\$ 133,072	\$ 46,678	\$ 86,394	\$	\$
Operating leases	256,749	46,076	69,504	48,020	93,149
Purchase obligations(2)					
Self-insurance obligations(3)	11,694	11,694			
Pension funding obligations(4)	15,500	15,500			
Postretirement benefit funding obligations(4)	4,000	4,000			
Unrecognized tax benefits(5)					
<b>Total contractual obligations</b>	<b>\$ 421,015</b>	<b>\$ 123,948</b>	<b>\$ 155,898</b>	<b>\$ 48,020</b>	<b>\$ 93,149</b>

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- (1) Interest under our \$200.0 million Term Loan (\$120.0 million balance remains at December 31, 2009) is calculated based upon our election to borrow at LIBOR plus an applicable floating margin paid quarterly in arrears. However, we have an interest rate swap that provides for an interest rate of approximately 5.57%. Our Term Loan obligation noted above includes interest accruing at this fixed rate.
- (2) In the ordinary course of business, we enter into purchase commitments to satisfy our requirements for materials and supplies for contracts that have been awarded. These purchase commitments, that are to be recovered from our customers, are generally settled in less than one year. We do not enter into long-term purchase commitments on a speculative basis for fixed or minimum quantities.
- (3) Amount represents expected 2010 payments associated with our self-insurance program. Payments beyond one year have not been included in the table as amounts are not determinable on a year-by-year basis.
- (4) Amounts represent expected 2010 contributions to fund our defined benefit and other postretirement plans, respectively. Contributions beyond one year have not been included as amounts are not determinable.
- (5) Payments for reserved tax contingencies of \$17.1 million are not included as the timing of specific tax payments is not determinable.

The equity and credit markets continue to be volatile. A continuation of this level of volatility in the credit markets may increase costs associated with issuing letters of credit under our Uncommitted Facilities or could increase costs when we amend, or extend available capacity under, our existing credit facilities. Notwithstanding these adverse conditions, we believe that our cash on hand, funds generated by operations, amounts available under our existing Revolving Facility and LC Agreements, and external sources of liquidity, such as the issuance of debt and equity instruments, will be sufficient to finance our capital expenditures, settle our commitments and contingencies (as more fully described in Note 11 to our Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data ) and address our 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 our Revolving Facility and LC Agreements 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 significant, uncommitted bonding facilities, primarily to support various commercial provisions in our contracts, a termination or reduction of these bonding facilities could result in the utilization of letters of credit in lieu of performance bonds, thereby reducing our available capacity under the Revolving Facility and LC Agreements. Although we do not anticipate a reduction or termination of the bonding facilities, there can be no assurance that such facilities will be available at reasonable terms to service our ordinary course obligations.

We are a defendant in a number of lawsuits arising in the normal course of business and we have in place appropriate insurance coverage for the type of work that we have performed. As a matter of standard policy, we review our litigation accrual quarterly and as further information is known on pending cases, increases or decreases, as appropriate, may be recorded in accordance with the FASB ASC's Commitments and Contingencies Topic.

For a discussion of pending litigation, including lawsuits wherein plaintiffs allege exposure to asbestos due to work we may have performed, see Note 11 to our Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

**OFF-BALANCE SHEET ARRANGEMENTS**



We use operating leases for facilities and equipment when they make economic sense, including sale-leaseback arrangements. We have no other significant off-balance sheet arrangements.

**NEW ACCOUNTING STANDARDS**

For a discussion of new accounting standards, see the applicable section in Note 2 to our Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

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**CRITICAL ACCOUNTING ESTIMATES**

The discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data, which have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue 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 we believe to be reasonable under the circumstances. Our management has discussed the development and selection of our critical accounting estimates with the Audit Committee of our Supervisory Board of Directors. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

*Revenue Recognition* Our contracts are awarded on a competitive bid and negotiated basis. We offer our customers a range of contracting options, including fixed-price, cost reimbursable and hybrid approaches. Contract revenue is primarily recognized using the percentage-of-completion method, based on the percentage that actual costs-to-date bear to total estimated costs to complete each contract. We utilize this cost-to-cost approach as we believe this method is less subjective than relying on assessments of physical progress. We follow the guidance in the FASB's ASC Revenue Recognition Topic 605-35 (formerly SOP 81-1) for accounting policies relating to our use of the percentage-of-completion method, estimating costs and revenue recognition, including the recognition of profit incentives, combining and segmenting contracts and unapproved change order/claim recognition. Under the cost-to-cost approach, the most widely recognized method used for percentage-of-completion accounting, the use of estimated cost to complete each contract is a significant variable in the process of determining revenue recognized 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, including, to the extent required, the reversal of profit recognized in prior periods. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates.

Contract revenue reflects the original contract price adjusted for approved change orders and estimated minimum recoveries of unapproved change orders and claims. We recognize revenue associated with unapproved change orders and claims to the extent that related costs have been incurred when recovery is probable and the value can be reliably estimated. At December 31, 2009, we had no material unapproved change orders/claims recognized in revenue. At December 31, 2008, we had projects with outstanding unapproved change orders/claims of approximately \$50.0 million factored into the determination of their revenue and estimated costs.

Losses expected to be incurred on contracts in progress are charged to earnings in the period such losses become known. For projects in a significant loss position, we recognized net losses of approximately \$90.0 million, \$453.0 million and \$117.6 million during 2009, 2008 and 2007, respectively.

*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 and likelihood of making required payments, economic events and other factors. As the financial condition of these parties changes, circumstances develop, or additional information becomes available, adjustments to the allowance for doubtful accounts may be required.

*Financial Instruments* We follow the guidance of the FASB ASC's Derivatives and Hedging Topic 815 as it relates to our financial instruments. Although we do not engage in currency speculation, we use forward contracts on an on-going basis to mitigate certain operating exposures, as well as hedge intercompany loans utilized to finance non-U.S. subsidiaries. Hedge contracts utilized to mitigate operating exposures are generally designated as cash flow hedges. Therefore, gains and losses, exclusive of forward points and credit risk, are included in accumulated other comprehensive income (loss) on the Consolidated Balance Sheets until the associated underlying operating exposure impacts our earnings. Gains and losses associated with instruments deemed ineffective

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during the period, if any, instruments for which we do not seek hedge accounting treatment, including those instruments used to hedge intercompany loans, and changes in the fair value of forward points, are recognized within cost of revenue in the Consolidated Statements of Operations. In circumstances where we utilize forward contracts, our results of operations might be negatively impacted if the underlying transactions occur at different times, in different amounts than originally anticipated or if the counterparties to our forward contracts fail to perform. We do not hold, issue, or use financial instruments for trading or speculative purposes.

We have also entered into a swap arrangement to hedge against interest rate variability associated with our \$200.0 million Term Loan. The swap arrangement is designated as a cash flow hedge, as the critical terms matched those of the Term Loan at inception and as of December 31, 2009. We will continue to assess hedge effectiveness of the swap transaction prospectively. Our other financial instruments are not significant.

*Income Taxes* We follow the guidance of the FASB ASC's Income Taxes Topic 740-10. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The final realization of deferred tax assets depends on our ability to generate sufficient future taxable income of the appropriate character and in the appropriate jurisdictions. At December 31, 2009, we had a \$69.0 million net deferred tax asset recorded associated with losses incurred in the U.K. We have not provided a valuation allowance against this net deferred tax asset amount as we believe that it is more likely than not that it will be utilized from future earnings and contracting strategies. During 2009, the asset decreased by \$17.0 million associated with U.K. income, and increased by \$6.0 million for the impact of changes in year-end exchange rates.

We provide for income taxes in situations where we have and have not received tax assessments. Taxes are provided in those instances where we consider it probable that additional taxes will be due in excess of amounts reflected in income tax returns filed worldwide. As a matter of standard policy, we continually review our exposure to additional income taxes due and as further information is known or events occur, increases or decreases, as appropriate, may be recorded.

*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 through analysis of historical and projected trends, in conjunction with actuaries and other consultants, and provides for losses through insurance reserves. As claims develop and additional information becomes available, adjustments to loss reserves may be required. If actual results are not consistent with our assumptions, we may be exposed to gains or losses that could be material. A hypothetical ten percent change in our self-insurance reserves at December 31, 2009 would have impacted our pre-tax income by approximately \$3.6 million for 2009.

*Recoverability of Goodwill* The FASB ASC's Intangibles-Goodwill and Other Topic 350 states that goodwill and indefinite-lived intangible assets are not amortized to earnings, but instead are reviewed for impairment at least annually via a two-phase process, absent any indicators of impairment. The goodwill impairment analysis conducted in accordance with this topic requires us to allocate goodwill to our reporting units, compare the fair value of each reporting unit with its 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. Beginning in the first quarter of 2009, our management structure and internal and public segment reporting were aligned based upon three distinct business sectors, rather than our historical practice of reporting based upon discrete geographic regions and Lummus Technology. These three business sectors are CB&I

Steel Plate Structures, CB&I Lummus and Lummus Technology. Based upon this new management structure, our reporting units were reassessed. Goodwill associated with our previous regional reporting units was clearly separable for inclusion in our current reporting units.

The primary method we employ to estimate the fair value of each reporting unit 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

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values of reporting units. Our goodwill balance at December 31, 2009 was \$962.7 million. Based upon our current strategic planning and associated goodwill impairment assessments, we do not believe there is a reasonable possibility that our reporting units are at risk of recognizing an impairment of their goodwill.

For further discussion regarding goodwill and other intangibles, see Note 5 to our Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

### **Item 7A. *Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to market risk associated with 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 non-U.S. subsidiaries, which are denominated in currencies other than the U.S. dollar, into the U.S. dollar. The foreign currency translation adjustments are recognized within shareholders' equity in accumulated other comprehensive income (loss) as cumulative translation adjustment, net of any applicable tax. We generally do not hedge our exposure to potential foreign currency translation adjustments.

Another form of foreign currency exposure relates to our non-U.S. subsidiaries' normal contracting activities. We generally attempt to limit our exposure to foreign currency fluctuations in most of our contracts through provisions that require customer payments in U.S. dollars, the currency of the contracting entity or other currencies corresponding to the currency in which costs are incurred. As a result, we do not always need to hedge foreign currency cash flows for contract work performed. However, where construction contracts do not contain foreign currency provisions, we generally use forward exchange contracts to hedge foreign currency exposure of forecasted transactions and firm commitments. At December 31, 2009, the outstanding notional value of these cash flow hedge contracts was \$40.4 million. Our primary foreign currency exchange rate exposure hedged includes the Chilean Peso, Euro, Peruvian Nuevo Sol, British Pound and Czech Koruna. The gains and losses on these contracts are intended to offset changes in the value of the related exposures. The unrealized hedge fair value gain for 2009 associated with instruments for which we do not seek hedge accounting treatment totaled \$0.1 million and was recognized within cost of revenue in the Consolidated Statement of Operations. Additionally, we exclude forward points, which represent the time value component of the fair value of our derivative positions, from our hedge assessment analysis. This time value component is recognized as ineffectiveness within cost of revenue and was an unrealized gain totaling approximately \$2.9 million during 2009. As a result, our total unrealized hedge fair value gain recognized within cost of revenue for 2009 was \$3.0 million. The total net fair value of these contracts, including the foreign currency gain related to ineffectiveness, was a gain of approximately \$2.0 million. The terms of our contracts generally extend up to two years. The potential change in fair value for our outstanding contracts from a hypothetical ten percent change in quoted foreign currency exchange rates would have been approximately \$0.2 million and \$1.1 million at December 31, 2009 and 2008, respectively.

At the time we entered into our Term Loan, we also entered into a swap arrangement to hedge against the Term Loan's interest rate variability. The swap arrangement is designated as a cash flow hedge under the FASB ASC's Derivative and Hedging Topic 815 as the critical terms matched those of the Term Loan at inception and as of December 31, 2009. The potential change in fair value for our interest rate swap from a hypothetical one percent change in the LIBOR rate would have been approximately \$2.0 million and \$2.4 million at December 31, 2009 and 2008, respectively.

In circumstances where intercompany loans and/or borrowings are in place with non-U.S. subsidiaries, we will also use forward contracts to generally offset any translation gains/losses of the underlying transactions. If the timing or amount of foreign-denominated cash flows vary, we incur foreign exchange gains or losses, which are included within cost of revenue in the Consolidated Statements of Operations. We do not use financial instruments for trading or speculative purposes.

The carrying value of our cash and cash equivalents, accounts receivable, accounts payable and notes payable approximates their fair values because of the short-term nature of these instruments. At December 31, 2009 and 2008, the fair value of our long-term debt, based on the current market rates for debt with similar credit risk and maturity, approximated the value recorded on our Consolidated Balance Sheet as interest is based upon LIBOR plus an applicable floating spread and is paid quarterly in arrears. See Note 9 to our Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data for quantification of our financial instruments.

**Item 8. *Financial Statements and Supplementary Data***

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**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Included in our system of internal control are written policies, an organizational structure providing division of responsibilities, the selection and training of qualified personnel and a program of financial and operations reviews by our professional staff of corporate auditors.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the underlying transactions, including the acquisition and disposition of assets; (ii) provide reasonable assurance that our assets are safeguarded and transactions are executed in accordance with management's and our directors' authorization and are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting. Our evaluation was based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ).

Based on our evaluation under the framework in *Internal Control - Integrated Framework*, our principal executive officer and principal financial officer concluded our internal control over financial reporting was effective as of December 31, 2009. The conclusion of our principal executive officer and principal financial officer is based on the recognition that there are inherent limitations in all systems of internal control, including the possibility of human error and the circumvention or overriding of controls. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our internal control over financial reporting as of December 31, 2009 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ Philip K. Asherman

Philip K. Asherman  
President and Chief Executive Officer

/s/ Ronald A. Ballschmiede

Ronald A. Ballschmiede  
Executive Vice President and Chief Financial Officer

February 22, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Supervisory Board and Shareholders of  
Chicago Bridge & Iron Company N.V.

We have audited Chicago Bridge & Iron Company N.V. and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Chicago Bridge & Iron Company N.V. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Chicago Bridge & Iron Company N.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Chicago Bridge & Iron Company N.V. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule for each of the three years in the period ended December 31, 2009, listed in the Index at Item 15. Our report dated February 22, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas  
February 22, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Supervisory Board and Shareholders of  
Chicago Bridge & Iron Company N.V.

We have audited the accompanying consolidated balance sheets of Chicago Bridge & Iron Company N.V. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule for each of the three years in the period ended December 31, 2009, listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chicago Bridge & Iron Company N.V. and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the accompanying consolidated financial statements have been retrospectively adjusted for the adoption of a new accounting standard which changed the presentation of noncontrolling interests in subsidiaries.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Chicago Bridge & Iron Company N.V. and subsidiaries' internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas  
February 22, 2010

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

	<b>Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In thousands, except per share data)</b>		
Revenue	\$ 4,556,503	\$ 5,944,981	\$ 4,363,492
Cost of revenue	4,033,783	5,711,831	4,006,643
Gross profit	522,720	233,150	356,849
Selling and administrative expenses	204,911	215,457	153,667
Intangibles amortization (Note 5)	23,326	24,039	3,996
Other operating expense (income), net	15,324	(464)	(1,274)
Equity earnings (Note 6)	(35,064)	(41,092)	(5,106)
Income from operations	314,223	35,210	205,566
Interest expense	(21,383)	(21,109)	(7,269)
Interest income	1,817	8,426	31,121
Income before taxes	294,657	22,527	229,418
Income tax expense (Note 14)	(114,917)	(37,470)	(57,354)
Net income (loss)	179,740	(14,943)	172,064
Less: Net income attributable to noncontrolling interests	(5,451)	(6,203)	(6,424)
Net income (loss) attributable to CB&I	\$ 174,289	\$ (21,146)	\$ 165,640
Net income (loss) attributable to CB&I per share (Note 2):			
Basic	\$ 1.82	\$ (0.22)	\$ 1.73
Diluted	\$ 1.79	\$ (0.22)	\$ 1.71

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

**Table of Contents****CHICAGO BRIDGE & IRON COMPANY N.V. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(In thousands, except share data)</b>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 326,000	\$ 88,221
Accounts receivable, net of allowance for doubtful accounts of \$3,858 in 2009 and \$4,956 in 2008	477,844	595,631
Costs and estimated earnings in excess of billings (Note 4)	221,569	307,656
Deferred income taxes (Note 14)	85,224	51,946
Other current assets	84,941	147,661
<b>Total current assets</b>	<b>1,195,578</b>	<b>1,191,115</b>
Equity investments (Note 6)	132,258	130,031
Property and equipment, net (Note 7)	316,112	336,093
Non-current contract retentions (Note 2)	7,146	1,973
Deferred income taxes (Note 14)	102,538	95,756
Goodwill (Note 5)	962,690	962,305
Other intangibles, net (Note 5)	216,910	236,369
Other non-current assets	83,535	47,076
<b>Total assets</b>	<b>\$ 3,016,767</b>	<b>\$ 3,000,718</b>
<b>LIABILITIES</b>		
Notes payable (Note 8)	\$ 709	\$ 523
Current maturity of long-term debt (Note 8)	40,000	40,000
Accounts payable	467,944	688,042
Accrued liabilities (Note 7)	235,242	267,841
Billings in excess of costs and estimated earnings (Note 4)	920,732	969,718
Income taxes payable	15,248	22,001
<b>Total current liabilities</b>	<b>1,679,875</b>	<b>1,988,125</b>
Long-term debt (Note 8)	80,000	120,000
Other non-current liabilities (Note 7)	258,517	251,800
Deferred income taxes (Note 14)	101,085	66,940
<b>Total liabilities</b>	<b>2,119,477</b>	<b>2,426,865</b>
Commitments and contingencies (Note 11)		
<b>Shareholders Equity</b>		

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Common stock, Euro .01 par value; shares authorized: 250,000,000 in 2009 and 2008; shares issued: 101,522,318 in 2009 and 99,073,635 in 2008; shares outstanding: 100,203,855 in 2009 and 95,277,073 in 2008	1,190	1,154
Additional paid-in capital	359,283	368,644
Retained earnings	578,612	404,323
Stock held in Trust (Note 12)	(33,576)	(31,929)
Treasury stock, at cost: 1,318,463 shares in 2009 and 3,796,562 in 2008	(30,872)	(120,113)
Accumulated other comprehensive loss (Note 12)	(817)	(66,254)
 Total CB&I shareholders' equity	 873,820	 555,825
 Noncontrolling interests	 23,470	 18,028
 Total equity	 897,290	 573,853
 Total liabilities and shareholders' equity	 \$ 3,016,767	 \$ 3,000,718

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

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

	<b>Years Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(In thousands)</b>		
<b>Cash Flows from Operating Activities</b>			
Net income (loss)	\$ 179,740	\$ (14,943)	\$ 172,064
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	79,531	78,244	39,764
Deferred taxes	(7,937)	(42,178)	18,993
Stock-based compensation expense	28,580	18,675	16,914
Equity earnings, net	(34,049)	(37,907)	(4,925)
Gain on sale of property, equipment and equity investments	(2,644)	(464)	(1,274)
Unrealized (gain) loss on foreign currency hedge ineffectiveness	(2,968)	3,680	1,828
Excess tax benefits from stock-based compensation	(175)	(3,113)	(7,112)
Change in operating assets and liabilities (see below)	7,335	24,315	210,143
Net cash provided by operating activities	247,413	26,309	446,395
<b>Cash Flows from Investing Activities</b>			
Cost of business acquisitions, net of cash acquired	(2,000)		(820,871)
Capital expenditures	(47,839)	(124,595)	(88,308)
Purchases of short-term investments			(382,786)
Proceeds from sale of short-term investments			382,786
Proceeds from sale of property, equipment and equity investments	27,473	3,346	4,851
Net cash used in investing activities	(22,366)	(121,249)	(904,328)
<b>Cash Flows from Financing Activities</b>			
Increase (decrease) in notes payable	186	(407)	149
Repayment of debt	(40,000)	(40,000)	(25,000)
Term loan borrowings			200,000
Excess tax benefits from stock-based compensation	175	3,113	7,112
Purchase of treasury stock associated with stock plans/repurchase program	(680)	(80,604)	(30,986)
Issuance of common stock associated with stock plans/share issuance program	43,578		1,225
Issuance of treasury stock associated with stock plans	9,473	10,541	9,511
Dividends paid		(15,359)	(15,443)
Other			(2,207)



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Net cash provided by (used in) financing activities	12,732	(122,716)	144,361
Increase (decrease) in cash and cash equivalents	237,779	(217,656)	(313,572)
Cash and cash equivalents, beginning of the year	88,221	305,877	619,449
Cash and cash equivalents, end of the year	\$ 326,000	\$ 88,221	\$ 305,877
<b>Change in Operating Assets and Liabilities</b>			
Decrease in receivables, net	\$ 117,787	\$ 44,947	\$ 33,660
Change in contracts in progress, net	37,101	(130,044)	483,834
(Increase) decrease in non-current contract retentions	(5,173)	1,416	13,91