

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

*(In thousands, except share data)*

Years Ended December 31,	1999	1998	1997
Revenues	\$ 674,770	\$ 775,692	\$ 672,811
Cost of revenues	598,335	703,363	609,173
Gross profit	76,435	72,329	63,638
Selling and administrative expenses	49,849	46,959	44,988
Management Plan charge (Note 9)	—	—	16,662
Other operating income, net	(2,788)	(991)	(4,807)
Income from operations	29,374	26,361	6,795
Interest expense	(2,980)	(3,488)	(3,892)
Interest income	766	1,616	1,416
Income before taxes and minority interest	27,160	24,489	4,319
Income tax (expense) benefit	(7,605)	(7,347)	730
Income before minority interest	19,555	17,142	5,049
Minority interest in (income) loss	(1,171)	(105)	354
Net income	\$ 18,384	\$ 17,037	\$ 5,403
Net income per share (Note 2)			
Basic	\$ 1.67	\$ 1.41	\$ 0.43
Diluted	1.65	1.40	0.43

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

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

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

We have audited the accompanying consolidated balance sheets of CHICAGO BRIDGE & IRON COMPANY N.V. (a Netherlands corporation) and SUBSIDIARIES as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHICAGO BRIDGE & IRON COMPANY N.V. and SUBSIDIARIES as of December 31, 1999 and 1998, and the results of its operations and cash flows for each of the three years ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen  
Amsterdam, The Netherlands  
February 9, 2000

**CHICAGO BRIDGE & IRON COMPANY N.V. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**
*(In thousands, except share data)*

Years Ended December 31,	1999	1998
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,407	\$ 5,636
Accounts receivable	93,811	143,911
Contracts in progress with earned revenues exceeding related progress billings (Note 3)	48,486	51,953
Other current assets	7,359	6,760
Total current assets	168,063	208,260
Property and equipment (Note 6)	104,600	110,481
Goodwill (Note 2)	18,010	18,051
Long-term receivable, net (Note 7)	28,739	—
Other non-current assets	17,913	11,917
Total assets	\$ 337,325	\$ 348,709
<b>LIABILITIES</b>		
Notes payable (Note 4)	\$ 665	\$ 3,088
Accounts payable	36,979	41,536
Accrued liabilities (Note 6)	49,797	50,045
Contracts in progress with progress billings exceeding related earned revenues (Note 3)	53,314	77,359
Income taxes payable	4,942	2,882
Total current liabilities	145,697	174,910
Long-term debt (Note 4)	25,000	5,000
Other non-current liabilities (Note 6)	57,367	62,199
Minority interest in subsidiaries	4,851	4,944
Total liabilities	232,915	247,053
Commitments and Contingencies (Note 7)		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, NLG .01 par value; authorized: 35,000,000 in 1999 and 50,000,000 in 1998; issued: 11,295,687 in 1999 and 12,517,552 in 1998 (Note 10)	67	74
Additional paid-in capital	93,393	94,037
Retained earnings	44,621	28,851
Stock held in Trust (Note 11)	(12,700)	—
Treasury stock, at cost: 1,022,705 in 1999 and 1,103,258 in 1998	(13,729)	(13,144)
Cumulative translation adjustment	(7,242)	(8,162)
Total shareholders' equity	104,410	101,656
Total liabilities and shareholders' equity	\$ 337,325	\$ 348,709

*The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.*
**CHICAGO BRIDGE & IRON COMPANY N.V. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS**
*(In thousands)*

Years Ended December 31,	1999	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 18,384	\$ 17,037	\$ 5,403
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,765	17,710	16,911
Management Plan charge (Note 9)	—	—	16,662
Increase/(decrease) in deferred income taxes	(3,689)	1,137	(9,292)
Gain on sale of property and equipment	(1,963)	(991)	(1,623)
Change in operating assets and liabilities (see below)	(8,036)	15,931	12,346
Net Cash Provided by Operating Activities	22,461	50,824	40,407
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment	4,539	10,107	13,048
Capital expenditures	(13,450)	(12,249)	(34,955)
Net Cash Used in Investing Activities	(8,911)	(2,142)	(21,907)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in notes payable	(2,423)	1,930	(1,956)
Payment to former Parent Company	—	—	(6,008)
Net borrowing/(repayment) under Revolving Credit Facility	20,000	(39,000)	44,000
Net repayment of debt to former Parent Company	—	—	(53,907)
Purchase of treasury stock	(17,484)	(13,970)	—
Issuance of treasury stock	1,742	652	—
Dividends paid	(2,614)	(2,898)	(2,253)
Net Cash Used in Financing Activities	(779)	(53,286)	(20,124)
Increase/(decrease) in cash and cash equivalents	12,771	(4,604)	(1,624)
Cash and cash equivalents, beginning of the year	5,636	10,240	11,864
Cash and cash equivalents, end of the year	\$ 18,407	\$ 5,636	\$ 10,240
<b>CHANGE IN OPERATING ASSETS AND LIABILITIES</b>			
(Increase)/decrease in receivables, net	\$ 13,355	\$ 13,874	\$ (56,110)
(Increase)/decrease in contracts in progress, net	(20,578)	15,768	54,693
Increase/(decrease) in accounts payable	5,333	(11,368)	28,100
Change in contract capital	(1,890)	18,274	26,683
(Increase)/decrease in other current assets	(599)	6,318	(5,714)
Increase/(decrease) in income taxes payable	2,060	(2,278)	720
Increase/(decrease) in accrued and other non-current liabilities	(5,080)	(3,275)	(8,396)
(Increase)/decrease in other	(2,527)	(3,108)	(947)
Total	\$ (8,036)	\$ 15,931	\$ 12,346
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>			
Cash paid for interest	\$ 2,939	\$ 3,899	\$ 4,619
Cash paid for income taxes	9,456	5,200	5,310

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

**CHICAGO BRIDGE & IRON COMPANY N.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(In thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	STOCK HELD IN TRUST	TREASURY STOCK AT COST	CUMULATIVE TRANSLATION ADJUSTMENT	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 1997	\$ 1	\$ 79,958	\$ 11,562	\$ —	\$ —	\$ (775)	\$ 90,746
Reorganization (Note 1)	73	(14)	—	—	—	—	59
Comprehensive income	—	—	5,403	—	—	(3,876)	1,527
Management Plan charge (Note 9)	—	16,662	—	—	—	—	16,662
Dividends to common shareholders	—	—	(2,253)	—	—	—	(2,253)
Common Stock offering costs	—	(2,915)	—	—	—	—	(2,915)
Balance at December 31, 1997	74	93,691	14,712	—	—	(4,651)	103,826
Comprehensive income	—	—	17,037	—	—	(3,511)	13,526
Dividends to common shareholders	—	—	(2,898)	—	—	—	(2,898)
Long-Term Incentive Plan amortization	—	520	—	—	—	—	520
Purchase of treasury stock	—	—	—	—	(13,970)	—	(13,970)
Issuance of treasury stock	—	(174)	—	—	826	—	652
Balance at December 31, 1998	74	94,037	28,851	—	(13,144)	(8,162)	101,656
Comprehensive income	—	—	18,384	—	—	920	19,304
Dividends to common shareholders	—	—	(2,614)	—	—	—	(2,614)
Long-Term Incentive Plan amortization	—	1,806	—	—	—	—	1,806
Stock held in Trust (Note 11)	—	12,700	—	(12,700)	—	—	—
Purchase of treasury stock	—	—	—	—	(17,484)	—	(17,484)
Issuance of treasury stock	—	(1,406)	—	—	3,148	—	1,742
Cancellation of treasury stock	(7)	(13,744)	—	—	13,751	—	—
Balance at December 31, 1999	\$ 67	\$ 93,393	\$ 44,621	\$ (12,700)	\$ (13,729)	\$ (7,242)	\$ 104,410

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

**CHICAGO BRIDGE & IRON COMPANY N.V. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands, except share data)

**1. ORGANIZATION AND NATURE OF OPERATIONS**

Chicago Bridge & Iron Company N.V. and Subsidiaries (the "Company"), the business of which was formerly operated by Chicago Bridge & Iron Company and Subsidiaries ("CB&I"), is a global engineering and construction company specializing in the design and engineering, fabrication, field erection and repair of bulk liquid terminals, storage tanks, process vessels, low temperature and cryogenic storage facilities and other steel plate structures and their associated systems. Based on its knowledge of and experience in its industry, the Company believes it is the leading provider of field erected steel tanks and other steel plate structures, associated systems and related services in North America and one of the leading providers of these specialized products and services in the world. The Company seeks to maintain its leading industry position by focusing on its technological expertise in design, metallurgy and welding, along with its ability to complete logistically and technically complex metal plate projects virtually anywhere in the world. The Company has been continuously engaged in the engineering and construction industry since its founding in 1889.

**HISTORICAL ORGANIZATION**—During the periods and as of the dates prior to January 1, 1996, CB&I was a wholly owned subsidiary of Chi Bridge Holdings, Inc., ("Holdings") which in turn was a wholly owned subsidiary of CBI Industries, Inc. ("Industries"). On January 12, 1996, pursuant to the merger agreement dated December 22, 1995, Industries became a subsidiary of Praxair, Inc. ("Praxair"). This merger transaction was reflected in CB&I's consolidated financial statements as a purchase effective January 1, 1996 ("Merger Date"). Accordingly, the historical information provided for the periods prior to January 1, 1996 ("Pre-Praxair Acquisition") will not be comparable to subsequent financial information ("Post-Praxair Acquisition"). Related-party transactions recorded with Industries or Praxair (the "former Parent Company"), not disclosed elsewhere, were not material.

**COMMON STOCK OFFERING**—In December 1996, the Company filed a registration statement with the Securities and Exchange Commission for an initial public offering (the "Offering") of a majority of the shares of the Company's Common Stock, par value NLG 0.01 (the "Common Stock"). Effective March 1997, after the Reorganization discussed below, the Company completed the Offering of 11,045,941 shares of Common Stock at \$18.00 per share. The Company did not receive any proceeds from the Offering, but paid a portion of the offering costs. The Common Stock is traded on the New York and Amsterdam stock exchanges.

**REORGANIZATION**—In March 1997, Holdings effected a reorganization (the "Reorganization") whereby Holdings transferred the business of Chicago Bridge & Iron Company to Chicago Bridge & Iron Company N.V., a corporation organized under the laws of The Netherlands. The Reorganization did not affect the carrying amounts of CB&I's assets and liabilities, nor result in any distribution of its cash or other assets to Praxair. The Reorganization is reflected in the Company's financial statements effective January 1, 1997.

**NATURE OF OPERATIONS**—Projects for the worldwide petroleum and petrochemical industry accounted for approximately 60-70% of the Company's revenues in 1999, 1998 and 1997. Numerous factors influence capital expenditure decisions in this industry which are beyond the control of the Company. Therefore, no assurance can be given that the Company's business, financial condition and results of operations will not be adversely affected because of reduced activity due to the price of oil or changing taxes, price controls and laws and regulations related to the petroleum and petrochemical industry.

**ACQUISITION**—On September 30, 1999, the Company purchased the assets and certain liabilities of XL Systems ("XL"). This acquisition enables the Company to combine its existing experience in vacuum facility construction and project management with XL's thermal vacuum technology and manufacturing capabilities. The acquisition was accounted for under the purchase method of accounting. Financial information has not been disclosed separately as the amounts were not significant.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING AND CONSOLIDATION**—These financial statements are prepared in accordance with generally accepted accounting principles in the United States. The consolidated financial statements include all majority owned subsidiaries. Significant intercompany balances and transactions are eliminated in consolidation. Investments in non-majority owned affiliates are accounted for by the equity method.

**USE OF ESTIMATES**—The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Management is also required to make judgments regarding the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**REVENUE RECOGNITION**—Revenues are recognized using the percentage of completion method. Contract revenues are accrued based generally on the percentage that costs-to-date bear to total estimated costs. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known. Contract revenue reflects the original contract price adjusted for agreed upon change orders and estimated minimum recoveries of claims. Losses expected to be incurred on jobs in process are charged to income as soon as such losses are known.

A significant portion of the Company's work is performed on a fixed price or lump sum basis. The balance of projects are primarily performed on variations of cost reimbursable and target price approaches. Progress billings in accounts receivable are currently due and exclude retentions until such amounts are due in accordance with contract terms. Cost of revenues includes direct contract costs such as material and construction labor, and indirect costs which are attributable to contract activity.

**FOREIGN CURRENCY TRANSLATION AND EXCHANGE**—The primary effects of foreign currency translation adjustments are recognized in shareholders' equity as cumulative translation adjustment. Foreign currency exchange (losses)/gains are included in the determination of income, and were \$(550) in 1999, \$615 in 1998, and \$1,387 in 1997.

### PER SHARE COMPUTATIONS—

	1999	1998	1997
Net income	\$ 18,384	\$ 17,037	\$ 5,403
Weighted average shares outstanding—basic	10,998,872	12,117,573	12,517,552
Effect of restricted stock units	141,282	29,438	—
Effect of performance share units	14,064	5,127	—
Effect of directors deferred fee shares	7,626	711	—
Effect of stock options	6,997	—	—
Weighted average shares outstanding—diluted	11,168,841	12,152,849	12,517,552
<b>NET INCOME PER SHARE</b>			
Basic	\$ 1.67	\$ 1.41	\$ 0.43
Diluted	1.65	1.40	0.43

**CASH EQUIVALENTS**—Cash equivalents are considered to be all highly liquid securities with original maturities of three months or less.

**PROPERTY AND EQUIPMENT**—Property and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives: buildings and improvements, 10 to 40 years; plant and field equipment, 3 to 20 years. Renewals and betterments which substantially extend the useful life of an asset are capitalized and depreciated. Depreciation expense was \$17,263 in 1999, \$17,222 in 1998 and \$16,423 in 1997. In 1997, the Company revised its capitalization policy by adjusting the dollar threshold for capitalizing small tools in order to better match costs and revenues. This policy revision positively impacted 1997 income by \$1,198.

**GOODWILL**—The Company records the excess of cost over the fair value of tangible net assets as goodwill on the balance sheet. Goodwill is amortized principally on a straight-line basis over 40 years. Amortization expense was \$502 in 1999, and \$488 in 1998 and 1997. Accumulated amortization was \$1,966 as of December 31, 1999 and \$1,464 as of December 31, 1998. The carrying value of goodwill is reviewed periodically based on the undiscounted cash flows of the entity over the remaining amortization period. If this review indicates that goodwill is not recoverable, the Company's carrying value of goodwill would be reduced by the estimated shortfall of undiscounted cash flows.

The Company recorded a valuation allowance of \$27,155 for deferred tax assets in connection with the Praxair Acquisition accounting. If the related deferred tax assets are realized, the reversal of the valuation allowance will first reduce the remaining IPO goodwill balance dollar-for-dollar until zero, and thereafter will reduce income tax expense.

**PRECONTRACT COSTS**—Precontract costs are charged to cost of revenues as incurred. However, certain precontract costs are deferred to the balance sheet if their recoverability from the contract is probable.

**FINANCIAL INSTRUMENTS**—The Company uses various methods and assumptions to estimate the fair value of each class of financial instrument. Due to their nature, the carrying value of cash and cash equivalents, accounts receivable, accounts payable, notes payable and long-term debt approximates fair value. The Company's other financial instruments are not significant. For the three years ended December 31, 1999, the Company recorded interest expense on notes payable, long-term debt and certain other interest bearing obligations.

**FORWARD CONTRACTS**—Although the Company does not engage in currency speculation, it periodically uses forward contracts to hedge foreign currency transactions. Gains or losses on forward contracts are included in income. At December 31, 1999, the Company had \$2,185 of outstanding foreign currency exchange contracts to sell Dutch guilders, \$1,059 of outstanding foreign currency exchange contracts to sell British pounds and a \$645 outstanding foreign exchange contract to buy Spanish pesetas. These forward contracts hedged intercompany loans utilized to finance non-U.S. subsidiaries and will mature within 20 days after year end. Also at December 31, 1999, the Company had a \$1,250 outstanding foreign currency exchange contract to buy Singapore dollars. This forward contract hedges contract costs to be incurred in U.S. dollars with revenues to be earned in Singapore dollars and will mature within 15 days after year end. The fair value of these forward contracts approximated their carrying value in the financial statements at December 31, 1999. The counterparties to the Company's forward contracts are major financial institutions, which the Company continually evaluates as to their creditworthiness. The Company has never experienced, nor does it anticipate, nonperformance by any of its counterparties.

**NEW ACCOUNTING STANDARDS**—In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended by SFAS 137, is effective for fiscal years beginning after June 15, 2000. SFAS 133 requires all derivative instruments be recorded on the balance sheet at their fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The Company has not yet determined the impact that the adoption of SFAS 133 will have on its earnings or statement of financial position. However, the Company anticipates that, due to its limited use of derivative instruments, the adoption of SFAS 133 will not have a significant effect on its results of operations or its financial position.

**RESEARCH AND DEVELOPMENT**—Expenditures for research and development activities, which are charged to income as incurred, amounted to \$1,294 in 1999, \$860 in 1998 and \$1,670 in 1997.

## 3. CONTRACTS IN PROGRESS

Contract terms generally provide for progress billings based on completion of certain phases of the work. The excess of revenues recognized for construction contracts over progress billings on contracts in progress is reported as a current asset and the excess of progress billings over revenues recognized on contracts in progress is reported as a current liability as follows:

	1999	1998
<b>CONTRACTS IN PROGRESS</b>		
Revenues recognized on contracts in progress	\$ 808,312	\$ 871,100
Billings on contracts in progress	(813,140)	(896,506)
	\$ (4,828)	\$ (25,406)
Shown on balance sheet as:		
Contracts in progress with earned revenues exceeding related progress billings	\$ 48,486	\$ 51,953
Contracts in progress with progress billings exceeding related earned revenues	(53,314)	(77,359)
	\$ (4,828)	\$ (25,406)

## 4. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable consist primarily of short-term loans borrowed under credit facilities made available by commercial banks. The Company's weighted average interest rate for notes payable was 8.5% at December 31, 1999 and 8.5% at December 31, 1998.

On September 30, 1999, the Company and a group of five banks entered into a three-year, unsecured \$100,000 revolving credit facility (the "Revolving Credit Facility"), effective October 1, 1999. The Revolving Credit Facility replaced the Company's prior existing competitive advance and revolving credit facility, which was terminated by the Company effective October 1, 1999. Under the new Revolving Credit Facility, committed amounts are available for general corporate purposes, including working capital, letters of credit, share repurchase, acquisitions and other requirements of the Company. A facility fee is based on the aggregate commitment of the Revolving Credit Facility. Letters of credit may be issued, subject to a \$50,000 sublimit, on either a committed or a competitive bid basis and expire one year after issuance, unless otherwise provided. The weighted average interest rate was 6.9% at December 31, 1999 and 5.9% at December 31, 1998. The Revolving Credit Facility contains certain restrictive covenants including net worth, interest coverage and leverage ratios, and capital expenditures, among other restrictions. The Revolving Credit Facility will terminate on September 30, 2002.

Capitalized interest was insignificant in 1999 and 1998, and \$599 in 1997.

## 5. LEASES

Certain facilities and equipment are rented under operating leases that expire at various dates through 2006. Rental expense on operating leases was \$14,410 in 1999, \$12,596 in 1998 and \$9,268 in 1997. Future rental commitments during the years ending in 2000 through 2004 and thereafter are \$7,536, \$3,215, \$1,601, \$1,050, \$485, and \$569, respectively.

## 6. SUPPLEMENTAL BALANCE SHEET DETAIL

	1999	1998
<b>COMPONENTS OF PROPERTY AND EQUIPMENT</b>		
Land and improvements	\$ 10,937	\$ 11,267
Buildings and improvements	40,961	39,527
Plant and field equipment	106,127	104,188
Total property and equipment	158,025	154,982
Accumulated depreciation	(53,425)	(44,501)
Net property and equipment	\$ 104,600	\$ 110,481
<b>COMPONENTS OF ACCRUED LIABILITIES</b>		
Payroll, vacation, bonuses and profit-sharing	\$ 15,790	\$ 15,762
Self-insurance/retention reserves	6,155	7,446
Postretirement benefit obligations	2,283	2,295
Pension obligation	1,520	1,529
Contract cost and other accruals	24,049	23,013
Accrued liabilities	\$ 49,797	\$ 50,045
<b>COMPONENTS OF OTHER NON-CURRENT LIABILITIES</b>		
Self-insurance/retention reserves	\$ 14,684	\$ 19,541
Postretirement benefit obligations	22,959	24,258
Pension obligation	11,513	12,953
Other	8,211	5,447
Other non-current liabilities	\$ 57,367	\$ 62,199

## 7. COMMITMENTS AND CONTINGENCIES

**LONG-TERM RECEIVABLE, NET**—In late 1996, the Company took a contract to supply materials and construct a portion of a \$2.5 billion petrochemical project in Tuban, West Java, Indonesia. The Tuban Project, which is currently about 40% complete, remains suspended. At December 31, 1999, the Company's backlog related to this project was approximately \$50,000. Similar to other major contractors involved in the project, the Company has received approval to redeploy certain material purchased for this project in order to reduce its costs. While the Company believes the Tuban Project remains viable, the \$28,700 outstanding net receivable has been recorded as a non-current asset in recognition of the continued suspension of this project. The Company believes work on the Tuban Project ultimately will resume, but no assurances can be given that this will happen, or even though the project resumes, that it will not have an adverse impact on the Company.

**ENVIRONMENTAL MATTERS**—The Company's facilities have operated for many years and substances which currently are or might be considered hazardous were used and disposed of at some locations, which will or may require the Company to make expenditures for remediation. In addition, the Company has agreed to indemnify parties to whom it has sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred. The Company is aware of no manifestation by a potential claimant of awareness by such claimant of a possible claim or assessment with respect to such facilities. The Company does not consider it to be probable that a claim will be asserted with respect to such facilities which claim is reasonably possible to have an unfavorable outcome, which in each case would be material to the Company. The Company believes that any potential liability for these matters will not have a material adverse effect on its business, financial condition or results of operations.

The Company does not anticipate incurring material capital expenditures for environmental controls or for investigation or remediation of environmental conditions during the current or succeeding fiscal year. Nevertheless, the Company can give no assurance that it, or entities for which it may be responsible, will not incur liability in connection with the investigation and remediation of facilities it currently (or formerly) owns or operates or other locations in a manner that could materially and adversely affect the Company.

**OTHER CONTINGENCIES**—In 1991, CB&I Constructors, Inc. (formerly CBI Na-Con, Inc.), a subsidiary of the Company, installed a catalyst cooler bundle at Fina Oil & Chemical Company's ("Fina") Port Arthur, Texas refinery. In July 1991, Fina determined that the catalyst cooler bundle was defective and had it replaced. Fina is seeking approximately \$20,000 in damages for loss of use of Fina's catalyst cracking unit and the cost of replacement of the catalyst cooler bundle. On June 28, 1993, Fina filed a complaint against CB&I Constructors, Inc. before the District Court of Harris County, Texas in Fina Oil & Chemical Company v. CB&I Constructors, Inc., et al. The Company denies that it is liable. While the Company believes any liability in excess of a \$2,000 deductible is covered by insurance, and that the claims are without merit and/or the Company has valid defenses to such claims and that it is reasonably likely to prevail in defending against such claims, there can be no assurance that if the Company is finally determined to be liable for all or a portion of any damages payable, that such liability will not have a material adverse effect on the Company's business, financial condition or results of operations.

The Company is a defendant in a number of other lawsuits arising in the normal course of its business. The Company believes that an estimate of the possible loss or range of possible loss relating to such matters cannot be made. While it is impossible at this time to determine with certainty the ultimate outcome of these lawsuits and although no assurance can be given with respect thereto, based on information currently available to the Company and based on the Company's belief as to the reasonable likelihood of the outcomes of such matters, the Company's management believes that adequate provision has been made for probable losses with respect thereto as best as can be determined at this time and that the ultimate outcome, after provisions therefore, will not have a material adverse effect, either individually or in the aggregate, on the Company's business, financial condition or results of operations. The adequacy of reserves applicable to the potential costs of being engaged in litigation and potential liabilities resulting from litigation are reviewed as developments in the litigation warrant.

The Company is jointly and severally liable for certain liabilities of partnerships and joint ventures. At December 31, 1999, the Company and certain subsidiaries had provided \$161,245 of performance bonds and letters of credit to support its contracting activities arising in the ordinary course of business. This amount fluctuates based on the level of contracting activity.

The Company has elected to retain portions of anticipated losses through the use of deductibles and self-insured retentions for its exposures related to third party liability and workers' compensation. Liabilities in excess of these amounts are the responsibilities of an insurance carrier. To the extent the Company self insures for these exposures, reserves have been provided for based on management's best estimates with input from the Company's legal and insurance advisors. Changes in assumptions, as well as changes in actual experience, could cause these estimates to change in the near term. The Company's management believes that the reasonably possible losses, if any, for these matters, to the extent not otherwise disclosed and net of recorded reserves, will not be material to its financial position or results of operations. At December 31, 1999, the Company had outstanding surety bonds and letters of credit of \$23,646 relating to its insurance program.

## 8. POSTRETIREMENT BENEFITS

**DEFINED CONTRIBUTION PLANS**—Effective January 1, 1997, the Company adopted a tax-qualified defined contribution plan (“Chicago Bridge & Iron Savings Plan”) for eligible employees. This Plan substantially replaces the former Parent Company-sponsored pension and 401(k) plans discussed below. This Plan consists of a voluntary pre-tax salary deferral feature under Section 401(k) of the Internal Revenue Code, a Company matching contribution, and an additional Company profit-sharing contribution in the form of cash or the Company's common stock to be determined annually by the Company. The Company expensed \$7,369 in 1999, \$7,845 in 1998 and \$6,949 in 1997 for the Chicago Bridge & Iron Savings Plan.

Effective January 1, 1998, the Company established a defined contribution plan (“International Savings and Benefit Plan”) for eligible employees. This Plan consists of a voluntary salary deferral feature, a Company matching contribution, and an additional Company profit-sharing contribution to be determined annually by the Company. The Company expensed \$433 in 1999 and \$200 in 1998 for the International Savings and Benefit Plan.

The Company is the sponsor for several other defined contribution plans that cover salaried and hourly employees for which the Company does not provide matching contributions. The cost of these plans to the Company was not significant in 1999, 1998 and 1997.

**DEFINED BENEFIT PLANS**—The Company has participated in three defined benefit plans sponsored by the Company's Canadian subsidiary and makes contributions to union sponsored multi-employer pension plans. Prior to 1997, CB&I participated in a defined benefit plan sponsored by the former Parent Company (the “CBI Industries Pension Plan”).

The following tables reflect information for the Canadian plans:

	1999	1998	1997
<b>COMPONENTS OF NET PERIODIC PENSION COST</b>			
Service cost	\$ —	\$ —	\$ —
Interest cost	576	687	1,007
Expected return on plan assets	(1,227)	(1,513)	(1,806)
Recognized net actuarial (gain)/loss	92	(1,116)	(126)
Settlement loss due to annuity purchase	(44)	147	—
Settlement loss due to distribution of surplus to members	—	1,016	—
Net periodic pension cost/(income)	\$ (603)	\$ (779)	\$ (925)

	1999	1998
<b>CHANGE IN PENSION BENEFIT OBLIGATION</b>		
Benefit obligation at beginning of year	\$ 8,433	\$ 11,374
Interest cost	576	687
Actuarial (gain)/loss	(44)	147
Benefits paid	(974)	(3,037)
Annuity purchase	(1,862)	—
Currency translation	529	(738)
Benefit obligation at end of year	\$ 6,658	\$ 8,433

	1999	1998
<b>CHANGE IN PLAN ASSETS</b>		
Fair value at beginning of year	\$ 15,983	\$ 23,532
Actual return on plan assets	1,791	1,326
Benefits paid	(974)	(4,053)
Annuity purchase	(1,862)	—
Employer reversion	—	(3,831)
Currency translation	943	(991)
Fair value at end of year	15,881	15,983
Funded status	9,223	7,550
Unrecognized net prior service costs	127	126
Unrecognized net actuarial gains	(1,588)	(986)
Prepaid pension asset	\$ 7,762	\$ 6,690

The principal defined benefit plan assets consist of long-term investments, including equity and fixed income securities and cash. The significant assumptions used in determining the Company's pension expense and the related pension obligations were:

	1999	1998	1997
Discount rate	7.50 – 8.50%	6 – 8.50%	6 – 8.50%
Long-term rate of return on plan assets	7.50%	7.50%	7.50%

In 1997, a portion of the salaried plan was converted from a defined benefit to a defined contribution arrangement. All active members ceased accruing benefits under the defined benefit provision and commenced participation in the defined contribution arrangement. The remaining members (retirees and deferreds) continue to have benefits under the plan. In 1994, CB&I announced its intention to terminate the field construction plan. During 1998, members who elected to transfer their balance from this plan were paid out, and annuities were purchased for members who elected the pension option and for the pensioners. The remaining surplus assets reverted to CB&I. In 1996, CB&I announced its intention to terminate the hourly plan. During 1999, annuities were purchased for all hourly plan members entitled to basic benefits. Benefit settlements under the hourly plan have been settled and no benefit liabilities remain. A surplus sharing agreement with the participants was developed in 1998, and has been presented to the plan members. During 1999, the hourly plan members agreed to the surplus sharing agreement and it awaits approval by Canadian authorities. Upon approval, a portion of the hourly plan assets will revert to the Company.

The Company made contributions of \$3,275 in 1999, \$2,773 in 1998 and \$3,991 in 1997 to certain union sponsored multi-employer pension plans. Benefits under these defined benefit plans are based on years of service and compensation levels.

The CBI Industries Pension Plan was the principal non-contributory tax qualified defined benefit plan of CB&I and covered most U.S. salaried employees of CB&I. Benefit accruals under the CBI Industries Pension Plan for CB&I employees were discontinued as of December 31, 1996. The Company's obligation to fund its portion of the accumulated benefit obligation for its participants in excess of plan assets was fixed at \$17,270 as of December 31, 1996, as agreed to by CB&I and Praxair. This obligation is payable ratably to Praxair over a 12-year period beginning December 1, 1997 with interest at 7.5%. The Company incurred \$1,070 in 1999, \$1,178 in 1998 and \$1,284 in 1997 of pension expense and has a remaining pension liability to Praxair of \$13,033 and \$14,482 as of December 31, 1999 and 1998.

**POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**—The Company participates in a health care and life insurance benefit program. This program provides certain separate health care and life insurance benefits for retired Company employees. Retiree health care benefits are provided under an established formula which limits costs based on prior years of service of retired employees. This plan may be changed or terminated by the Company at any time.

Effective January 1, 1997, CB&I discontinued its participation in the program sponsored by the former Parent Company, and the future obligation for CB&I's active employees as of December 31, 1996 under this program has been assumed by the Company.

The following tables reflect information for the assumed and current employees of the Company:

	1999	1998	1997
<b>COMPONENTS OF NET PERIODIC POSTRETIREMENT BENEFIT COST</b>			
Service cost	\$ 278	\$ 298	\$ 253
Interest cost	457	519	488
Unrecognized prior service cost	(85)	—	—
Recognized net actuarial gain	—	(7)	(47)
Curtailement gain	—	—	(812)
Net periodic postretirement benefit cost/(income)	\$ 650	\$ 810	\$ (118)

The significant assumptions used in determining the other postretirement benefit expense were a discount rate of 6.75% in 1999, 7.0% in 1998, and 7.5% in 1997; and a salary scale of 4.25% in 1999, 1998 and 1997. During 1999, the Company changed its postretirement life insurance benefits program. The curtailment gain of \$812 recognized in 1997 was related to the closure of the Company's manufacturing facility in Kankakee, Illinois.

	1999	1998
<b>CHANGE IN POSTRETIREMENT BENEFIT OBLIGATION</b>		
Benefit obligation at beginning of year	\$ 7,946	\$ 7,275
Service cost	278	298
Interest cost	457	519
Assumption change	63	173
Effect of plan change	(1,276)	—
Retiree contributions	255	77
Benefits paid	(422)	(396)
Benefit obligation at end of year	7,301	7,946
Funded status	(7,301)	(7,946)
Unrecognized prior service cost	(1,192)	—
Unrecognized net actuarial gain	(599)	(662)
Accrued postretirement benefit obligation	\$ (9,092)	\$ (8,608)

Because the medical plan offers a defined dollar benefit, the accumulated postretirement benefit obligation, service cost and interest cost are unaffected by a 1% increase or decrease in the assumed rate of medical inflation.

The Company's financial obligation with respect to retired employees of CB&I as of December 31, 1996 was fixed at \$21,400 as of December 31, 1996, as agreed to by CB&I and Praxair. This obligation is payable ratably to Praxair over a 12-year period beginning December 1, 1997 with interest at 7.5%. The Company incurred \$1,326 in 1999, \$1,457 in 1998 and \$1,593 in 1997 of other postretirement expense for these retirees and has a remaining postretirement benefit liability to Praxair of \$16,150 and \$17,945 as of December 31, 1999 and 1998.

#### 9. MANAGEMENT PLAN

The Company established the Chicago Bridge & Iron Management Defined Contribution Plan (the "Management Plan") in early 1997. The Management Plan is not qualified under Section 401(a) of the U.S. Internal Revenue Code ("the Code") and each participant's account is treated as a separate account under Section 404(a) (5) of the Code. Upon consummation of the Offering, the Company made a contribution to the Management Plan in the form of 925,670 shares of Common Stock having a value of \$16,662. Accordingly, the Company recorded expense of \$16,662 (the "Management Plan charge") in 1997.

The designation of the Management Plan's participants, the amount of Company contributions to the Management Plan and the amount allocated to the individual participants were determined by the Company's Management Board. The allocation to the participant's individual accounts occurs concurrently with the Company's contributions. Management Plan shares contributed concurrent with the Offering will vest in March 2000, and had vested with respect to one participant in January 1999. Upon vesting, the balance held in the individual participant's account will be distributed, except as amended (Note 11). Forfeitures of Management Plan shares under the provisions of the Management Plan will be reallocated to the other Management Plan participants.

#### 10. COMMON STOCK

The changes in the number of outstanding common shares were:

	1999	1998	1997
Balance at beginning of year	11,414,294	12,517,552	12,517,552
Purchases of treasury shares	(1,354,033)	(1,158,300)	—
Shares issued under employee and director stock plans	87,251	55,042	—
Shares issued under the Long-Term Incentive Plan	45,893	—	—
Shares contributed to the Chicago Bridge & Iron Savings Plan	79,577	—	—
Balance at end of year	10,272,982	11,414,294	12,517,552

At the Annual Meeting of Shareholders held on May 12, 1999, the shareholders authorized the Company to cancel up to 30% of the Company's 12,517,552 issued shares of Common Stock which may be acquired and held by the Company in its own share capital. Any single cancellation is not to exceed 10% of the then issued share capital of the Company. On July 28, 1999, 1,221,865 shares of Common Stock owned by the Company were cancelled.

**EMPLOYEE STOCK PURCHASE PLAN**—The Company's Employee Stock Purchase Plan provides that employees may purchase shares of Common Stock beginning January 1, 1998 at 85% of the Common Stock closing price per share on the New York Stock Exchange on the first trading day following the end of the calendar quarter. The plan provides for the purchase of up to 250,000 of authorized and unissued shares of Common Stock or treasury shares. As of December 31, 1999, 109,724 shares remain available for purchase.

**LONG-TERM INCENTIVE PLAN (THE "INCENTIVE PLAN")**—Under the Company's 1999 Long-Term Incentive Plan up to 1,130,000 shares and under the Company's 1997 Long-Term Incentive Plan up to 1,251,755 shares may be granted to its executive officers, other management employees and Supervisory Directors in the form of stock options, performance shares or restricted stock units. Total compensation expense of \$1,806 was recognized in 1999 and \$520 in 1998 under the Incentive Plan. At December 31, 1999, 1,213,574 shares remain available for grant under the Incentive Plan.

**STOCK OPTIONS**—In accordance with APB Opinion No. 25, no compensation cost related to stock options granted has been recognized in the Company's Income Statement. Had compensation cost for the Employee Stock Purchase Plan and stock options granted under the Incentive Plan been determined consistent with FASB Statement No. 123 (using the Black-Scholes option pricing model), the Company's net income and net income per common share would have been reduced to the following pro forma amounts:

	1999	1998	1997
<b>NET INCOME</b>			
As reported	\$ 18,384	\$ 17,037	\$ 5,403
Pro forma	17,442	16,677	4,740
<b>NET INCOME PER SHARE—BASIC</b>			
As reported	\$ 1.67	\$ 1.41	\$ .43
Pro forma	1.59	1.38	.38
<b>NET INCOME PER SHARE—DILUTED</b>			
As reported	\$ 1.65	\$ 1.40	\$ .43
Pro forma	1.56	1.37	.38

Using the Black-Scholes option pricing model, the fair value of each option grant is estimated on the date of grant based on the following weighted-average assumptions:

	1999	1998	1997
Risk-free interest rate	5.42%	5.53%	6.87%
Expected dividend yield	1.83%	1.64%	1.33%
Expected volatility	44.19%	37.73%	31.65%
Expected life in years	10	10	10

The following table summarizes the changes in stock options for the years ended December 31, 1999, 1998 and 1997:

	STOCK OPTIONS	EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Outstanding at January 1, 1997	—	—	—
Granted	520,248	\$18.00 – \$22.88	\$18.06
Forfeited	(15,945)	\$18.00	\$18.00
Outstanding at December 31, 1997	504,303	\$18.00 – \$22.88	\$18.06
Granted	241,900	\$9.19 – \$16.88	\$13.84
Forfeited	(58,128)	\$18.00	\$18.00
Outstanding at December 31, 1998	688,075	\$9.19 – \$18.00	\$16.54
Granted	175,106	\$12.50 – \$14.00	\$13.13
Forfeited	(7,500)	\$18.00	\$18.00
Outstanding at December 31, 1999	855,681	\$9.19 – \$18.00	\$15.83

The option exercise price equals the Common Stock's market price on date of grant. The weighted average fair value of options granted during 1999, 1998 and 1997 was \$6.57, \$6.56 and \$8.77, respectively. At December 31, 1999, there were 855,681 options outstanding with a weighted-average remaining contractual life of 8.03 years, and 46,725 of these options were exercisable with a weighted average exercise price of \$12.76.

Options on 161,700 shares granted in 1999 and 158,900 shares granted in 1998 vest over a four-year period at a rate of one-fourth each year. Options on 3,500 shares granted in 1999 and 7,000 shares granted in 1998 vest in one year. In conjunction with the vesting of restricted stock units during 1999, options on 9,906 shares were granted and vest in seven years from the date of grant; however, if all of the shares issued with respect to the restricted stock units remain held by the participant on the third anniversary of the option grant date, vesting is accelerated to three years from the date of grant.

The outstanding options on 438,675 shares granted in 1997 and 76,000 shares granted in 1998 are exercisable subject to achievement of a cumulative net income per common share for the three-year period from 1997 through 1999 of at least \$6.25 per common share (excluding the \$16,662 Management Plan charge), or if not achieved, on any succeeding April 2 if such goal, compounded an additional 15% per year, is achieved as of the end of the fiscal year then ended preceding such April 2 date, and if never so achieved, then automatically after five years from their date of grant for 490,636 shares and after nine years for 24,039 shares. Options on 6,900 shares granted in 1997 to non-executive employees, having an exercise price of \$21.38 or \$22.88, were repriced to \$18.00 in July 1998.

**PERFORMANCE SHARES**—Performance shares of 53,300 were granted during 1999 and 52,300 were granted during 1998 under the Incentive Plan. The shares are targeted to vest one-third each year over a three-year period, subject to achievement of specific Company performance goals. Performance shares of 20,331 were issued during 1999.

**RESTRICTED STOCK UNITS**—Restricted stock units of 62,055 were granted during 1999 and 100,920 were granted in 1998 under the Incentive Plan. The units vest one-fourth each year over a four-year period. In September 1999, 50,000 restricted stock units were granted to one executive officer as additional consideration (Note 11), and vest upon the earlier of April 1, 2002 or a change of control. Restrictions on 25,562 units lapsed during 1999. 1,440 restricted stock units were forfeited during 1999.

#### 11. STOCK HELD IN TRUST

The Management Plan (Note 9) and associated Trust was amended and restated in September 1999 to provide for the transfer of 705,560 unvested shares (valued for the balance sheet at the original Trust amount of \$18.00 per share) of two executive officers into a separate Trust. These two participants agreed to exchange their interest in these shares on a one-for-one basis into restricted stock units, which vest in March 2000, and represent a right to receive Common Stock on the earliest to occur of (i) the first business day after April 1, 2002, (ii) the first business day after termination of employment, or (iii) a change of control; and for additional consideration. The amendment and restatement of the Management Plan does not change the rights of the remaining participants.

#### 12. INCOME TAXES

Prior to the Reorganization, the consolidated amount of current and deferred tax expense was allocated among the members of the former Parent Company group using the pro-rata method, which assumed the Company's taxes would be filed as part of the former Parent Company's consolidated return. In conjunction with the Offering, the Company became a stand-alone entity and, therefore, subsequent to March 26, 1997, the consolidated amount of current and deferred tax expense is being calculated using a separate return approach. The separate return approach did not result in significant adjustments to the tax accounts.

	1999	1998	1997
<b>SOURCES OF INCOME/(LOSS)</b>			
<b>BEFORE INCOME TAXES AND MINORITY INTEREST</b>			
U.S.	\$ (6,221)	\$ (143)	\$ (23,778) <sup>(a)</sup>
Non-U.S.	33,381	24,632	28,097
Total	\$ 27,160	\$ 24,489	\$ 4,319
<sup>(a)</sup> The U.S. loss before income taxes and minority interest in 1997 includes the Management Plan charge.			
<b>INCOME TAX (EXPENSE)/BENEFIT</b>			
Current income taxes—			
U.S.	\$ —	\$ —	\$ —
Non-U.S.	(6,580)	(4,721)	(4,596)
	(6,580)	(4,721)	(4,596)
Deferred income taxes—			
U.S.	(1,448)	418	4,575
Non-U.S.	423	(3,044)	751
	(1,025)	(2,626)	5,326
Total income tax (expense)/benefit	\$ (7,605)	\$ (7,347)	\$ 730
<b>RECONCILIATION OF INCOME TAXES AT THE STATUTORY RATE AND INCOME TAX (EXPENSE)/BENEFIT</b>			
Tax (expense) at statutory rate	\$ (9,506)	\$ (8,571)	\$ (1,512)
State income taxes	(65)	—	(394)
Non-statutory tax rate differential	1,048	1,973	3,180
Other, net	918	(749)	(544)
Income tax (expense)/benefit	\$ (7,605)	\$ (7,347)	\$ 730
Effective tax rate	28.0%	30.0%	(16.9%)

The Company's statutory rate was The Netherlands' rate of 35% in 1999, 1998 and 1997.

The principal temporary differences included in deferred income taxes reported on the December 31, 1999 and 1998 balance sheets were:

	1999	1998
<b>CURRENT DEFERRED TAXES</b>		
Insurance	\$ 2,390	\$ 2,425
Employee benefits	474	1,026
Contracts	2,627	2,405
Tax benefit of U.S. operating losses	4,564	5,307
Other	893	247
	10,948	11,410
Valuation allowance	(10,948)	(11,410)
<b>NON-CURRENT DEFERRED TAXES</b>		
Employee benefits	14,132	14,006
Insurance	9,675	7,533
Non-U.S. activity	5,304	5,299
Other	7,288	3,178
	36,399	30,016
Valuation allowance	(16,207)	(15,745)
Depreciation	(11,035)	(11,064)
<b>NET DEFERRED TAX ASSETS</b>	<b>\$ 9,157</b>	<b>\$ 3,207</b>

The Company had a valuation allowance of \$27,155 as of December 31, 1999 and 1998 for its U.S. deferred tax assets, as realization is dependent on sustained U.S. taxable income. As of December 31, 1999, the Company had United States net operating loss carry-forwards of approximately \$22,900, which expire in 2012 to 2019. The Company did not record any Netherlands deferred income taxes on indefinitely reinvested undistributed earnings of its subsidiaries and affiliates at December 31, 1999. If any such undistributed earnings were distributed, the Netherlands participation exemption should become available under current law to significantly reduce or eliminate any resulting Netherlands income tax liability.

**13. SEGMENT INFORMATION**

The Company manages its operations by four geographic segments: North America; Europe, Africa, Middle East; Asia Pacific; and Central and South America. Each geographic area offers similar services. The Chief Executive Officer evaluates the performance of these four segments based on revenues and income from operations. Each segment's performance reflects the allocation of corporate costs, which were based primarily on revenues. No customer accounted for more than 10% of revenues. Intersegment revenues are not material.

The following table represents revenues by geographic segment:

	1999	1998	1997
<b>REVENUES</b>			
North America	\$ 288,516	\$ 314,975	\$ 295,159
Europe, Africa, Middle East	159,580	225,548	134,187
Asia Pacific	93,241	135,861	148,501
Central and South America	133,433	99,308	94,964
Total revenues	\$ 674,770	\$ 775,692	\$ 672,811

The following list indicates revenues for individual countries in excess of 10% of consolidated revenues during any of the three years ended December 31, 1999, based on where the Company performed the work:

	1999	1998	1997
United States	\$ 243,752	\$ 288,162	\$ 272,778
Venezuela	78,126	51,019	35,414
Australia	51,476	77,828	24,443
South Africa	18,040	79,251	37,609

The following tables present income from operations, assets and capital expenditures by geographic segment:

	1999	1998	1997
<b>INCOME FROM OPERATIONS</b>			
North America	\$ 6,704	\$ 11,411	\$ 3,134 <sup>(a)</sup>
Europe, Africa, Middle East	9,416	18,962	12,803
Asia Pacific	3,019	4,905	4,886
Central and South America	10,235	(8,917)	2,634
Management Plan charge (Note 9)	—	—	(16,662)
Total income from operations	\$ 29,374	\$ 26,361	\$ 6,795

<sup>(a)</sup> 1997 was favorably impacted by non-recurring income of approximately \$3,400 from the recognition of income related to a favorable appeals court decision.

	1999	1998	1997
<b>ASSETS</b>			
North America	\$ 161,589	\$ 137,538	\$ 181,224
Europe, Africa, Middle East	92,610	92,854	99,332
Asia Pacific	51,458	68,133	70,708
Central and South America	31,668	50,184	49,386
Total assets	\$ 337,325	\$ 348,709	\$ 400,650

The Company's revenues earned and assets attributable to operations in The Netherlands were not significant in any of the three years ended December 31, 1999. The Company's long-lived assets are considered to be net property and equipment. Approximately 66% of these assets were located in the United States for the three years ended December 31, 1999, while the other 34% were strategically located throughout the world.

	1999	1998	1997
<b>CAPITAL EXPENDITURES</b>			
North America	\$ 9,359	\$ 6,374	\$ 25,856
Europe, Africa, Middle East	1,611	3,550	6,095
Asia Pacific	1,639	1,367	1,116
Central and South America	841	958	1,888
Total capital expenditures	\$ 13,450	\$ 12,249	\$ 34,955

Although the Company manages its operations by the four geographic segments, revenues by product line are shown below:

	1999	1998	1997
<b>REVENUES</b>			
Flat Bottom Tanks	\$ 295,697	\$ 287,382	\$ 208,556
Low Temperature/Cryogenic Tanks and Systems	82,147	107,725	109,195
Repairs and Modifications	67,087	63,523	57,857
Specialty and Other Structures	65,646	129,949	153,553
Pressure Vessels	63,443	64,078	53,279
Elevated Tanks	51,648	38,287	47,922
Turnarounds	49,102	84,748	42,449
Total revenues	\$ 674,770	\$ 775,692	\$ 672,811

**14. SUBSEQUENT EVENTS (UNAUDITED)**

**COMMON STOCK**—During the first two months of 2000, the Company has repurchased 967,620 additional shares for \$15,280. On January 11, 2000, 1,129,568 shares of Common Stock owned by the Company were cancelled, as authorized by shareholders on May 12, 1999 (Note 10). As of February 29, 2000, the Company had 9,375,675 shares outstanding and 790,444 treasury shares.

**ACQUISITION**—On January 28, 2000, the Company purchased the assets and certain liabilities of the business now known as CB&I Trusco Tank ("Trusco") for approximately \$9,000. Trusco designs, fabricates and erects steel structures, including storage and shop-built tanks, and services municipal and industrial customers primarily in the water, wastewater and petroleum markets on the U.S. West Coast. This acquisition will be accounted for under the purchase method of accounting. Pro forma presentation of financial information has not been presented as this acquisition is not significant.

**15. QUARTERLY OPERATING RESULTS AND COMMON STOCK DIVIDENDS AND PRICES (UNAUDITED)**

QUARTERLY OPERATING RESULTS—The following table sets forth selected unaudited consolidated income statement information for the Company on a quarterly basis for the two years ended December 31, 1999:

Quarter Ended 1999	March 31	June 30	Sept. 30	Dec. 31
Revenues	\$ 170,681	\$ 181,202	\$ 157,195	\$ 165,692
Gross profit	18,002	18,873	18,006	21,554
Income from operations	6,605	7,451	7,306	8,012
Net income	4,226	4,366	4,703	5,089
Net income per share				
Basic	\$ .37	\$ .39	\$ .43	\$ .49
Diluted	.37	.38	.42	.48

Quarter Ended 1998	March 31	June 30	Sept. 30	Dec. 31
Revenues	\$ 189,881	\$ 181,808	\$ 204,965	\$ 199,038
Gross profit	16,888	17,538	18,130	19,773
Income from operations	5,424	5,911	6,520	8,506
Net income	3,350	3,927	4,638	5,122
Net income per share				
Basic	\$ .27	\$ .32	\$ .38	\$ .44
Diluted	.27	.32	.38	.43

COMMON STOCK DIVIDENDS AND PRICES—In December 1996, the Company filed a registration statement with the Securities and Exchange Commission for an initial public offering of a majority of the shares of the Company's Common Stock. Effective March 1997, the Company completed the Offering of 11,045,941 shares of Common Stock at \$18 per share. The Common Stock is traded on the New York and Amsterdam stock exchanges. As of February 2000, the Company had approximately 2,200 shareholders. The following table presents the quarterly common shares outstanding, dividends on Common Stock and range of Common Stock prices for the years ended December 31, 1999 and 1998:

Quarter Ended 1999	March 31	June 30	Sept. 30	Dec. 31
Common shares outstanding	11,284,530	11,275,734	10,435,144	10,272,982
Common dividends per share	\$ .06	\$ .06	\$ .06	\$ .06

**RANGE OF COMMON STOCK PRICES**

New York Stock Exchange				
High	\$ 12 <sup>3</sup> / <sub>4</sub>	\$ 14 <sup>1</sup> / <sub>8</sub>	\$ 15 <sup>1</sup> / <sub>4</sub>	\$ 14 <sup>3</sup> / <sub>4</sub>
Low	9 <sup>3</sup> / <sub>4</sub>	10 <sup>1</sup> / <sub>4</sub>	13	11 <sup>3</sup> / <sub>4</sub>
Close	11 <sup>3</sup> / <sub>4</sub>	13 <sup>5</sup> / <sub>8</sub>	14 <sup>3</sup> / <sub>4</sub>	13 <sup>3</sup> / <sub>4</sub>
Amsterdam Stock Exchange (In EUR)				
High	12.00	12.60	14.00	14.00
Low	7.70	9.40	12.24	11.00
Close	9.70	12.25	14.00	11.00

Quarter Ended 1998	March 31	June 30	Sept. 30	Dec. 31
Common shares outstanding	12,267,852	12,284,748	11,659,609	11,414,294
Common dividends per share	\$ .06	\$ .06	\$ .06	\$ .06

**RANGE OF COMMON STOCK PRICES**

New York Stock Exchange				
High	\$ 17 <sup>3</sup> / <sub>8</sub>	\$ 17 <sup>1</sup> / <sub>4</sub>	\$ 15 <sup>3</sup> / <sub>4</sub>	\$ 13 <sup>1</sup> / <sub>2</sub>
Low	12 <sup>3</sup> / <sub>4</sub>	15	10 <sup>3</sup> / <sub>4</sub>	8
Close	16 <sup>3</sup> / <sub>4</sub>	15 <sup>1</sup> / <sub>2</sub>	10 <sup>3</sup> / <sub>4</sub>	12 <sup>3</sup> / <sub>8</sub>
Amsterdam Stock Exchange (In NLG)				
High	36.00	29.50	18.50	24.00
Low	34.50	29.50	18.50	24.00
Close	36.00	29.50	18.50	24.00

The rate of exchange for the Euro (EUR) to the Dutch guilder (NLG) is fixed at 2.20371.

**FACILITY LISTING****CORPORATE OFFICE**

CHICAGO BRIDGE &  
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**ADMINISTRATIVE OFFICE**

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USA

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CB&I TRUSCO TANK  
San Luis Obispo, California  
USA  
Tel: 1-805-544-9155

ULTRAPURE SYSTEMS  
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Canada  
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IRON COMPANY  
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ARABIAN CBI LTD.  
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P.T. CBI INDONESIA  
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Tel: 60-3-248-3201

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