

## TO OUR SHAREHOLDERS AND EMPLOYEES:

During the next five years, Chicago Bridge & Iron aims to double its current revenues to \$1.5 billion and boost operating income to an annual run rate of at least \$75 million.

These are bold assertions, but we are confident enough to make them for a simple reason: we plan to build on our past successes and find new applications for our skills, knowledge and products. This is what CB&I people have done for more than a hundred years, and it's one of the reasons why we're a leader in the engineering and construction industry.

We've developed a growth strategy to get us where we want to go. It is a logical extension and next step to our existing strategy of controlled growth, which has served us well since the Company's initial public offering in March 1997. During this period, we have achieved a solid level of new business, incremental revenue growth, improved operating margins and consistent earnings performance. Yet, over the long term, an incremental growth strategy will not produce the kind of results we expect—the kind of results our shareholders deserve. For that level of achievement, CB&I must move to a more dynamic and sustainable growth pattern that will significantly bolster the bottom line and shareholder value.

We will achieve this growth by creating opportunities. And we will turn these opportunities into greater value for you, our owners. We believe we can deliver this value by penetrating new markets and new geographies, developing new products and services, pursuing acquisitions and other business opportunities and achieving an even higher level of excellence in safety, project execution and customer satisfaction.

### FINANCIAL AND OPERATING RESULTS

Before we talk more of the future, let's briefly review last year's results. In 1999, CB&I delivered solid financial performance in the face of some of the most challenging conditions in the engineering and construction industry in recent years. We produced operating income of \$29.4 million, or 4.4% of revenues, up from \$26.4 million, or 3.4% of revenues, in 1998. The upturn in our Central and South America region was a key reason for the improvement, along with project cost savings resulting from better execution.

Our focused marketing strategy enabled us to win \$716 million of new business. And despite very challenging conditions in most of our

markets worldwide, we booked this new business without any significant deterioration in our as-sold margin. We landed an "elephant" project we had targeted, a liquefied natural gas (LNG) expansion project in Nigeria worth in excess of \$100 million, one of our largest single project awards in over a decade.

Our balance sheet remains strong. We kept a tight lid on capital expenditures and finished the year with net debt of \$7 million. We continue to view our stock as an attractive investment and, during 1999, purchased 11% of the shares outstanding as of year-end 1998. We bought an additional 7.5% of outstanding shares in January 2000.

Looking at the operating side of our business, we are convinced that better project execution was a major reason for improved operating margins in 1999. We continue to maintain a careful balance between project needs and staffing in our regions worldwide, adjusting resources when necessary for optimum efficiency. Our safety performance in 1999 was excellent, as our operating groups met or exceeded nearly all of our internal targets. In addition to the intrinsic value for the safety and health of our employees, our consistently superior safety record affords CB&I the opportunity to execute projects for which other contractors cannot qualify.

### STRATEGIC PLAN

Going forward, we are not abandoning the strategies that have proven successful to this point. We will continue to focus on improving our safety performance, refining our project execution skills, marketing our products and services more effectively, penetrating new markets, expanding our scope of services, pursuing elephant projects, providing customer solutions and controlling our costs.

To achieve the growth targets we have established, we developed three new strategies that encompass both near-term and long-term opportunities for expanding the business. Our overall goal for these strategies is to lead our industry by growing profitably and enhancing shareholder value. Growing profitably is the key: we aim to achieve top-line growth in revenues, but not at the expense of the solid operating margins we have worked so hard to improve.

How do we plan to accomplish this growth? First, we see tremendous near-term opportunity in LNG, and we intend to capture a major share of that market. Natural gas is quickly becoming the fuel of choice for an

environmentally conscious world, as it is the cleanest burning fossil fuel for both consumer use and electric power generation. Petroleum-producing regions have trillions of cubic feet of natural gas that major producers want to bring to market, and liquefying and transporting this gas is one of the most economical means to do so. CB&I has long been a leader in the LNG industry. We can provide proprietary liquefaction and regassification technology and turnkey capabilities for the design, construction and commissioning of LNG import terminals, peak shaving plants and storage systems.

Longer term, we intend to generate incremental profitable revenue by establishing project development and finance capabilities. With our global presence, CB&I becomes aware of many projects under development around the world that could become viable with an infusion of capital. These are projects for which we are positioned to provide engineering and construction services. In most cases, we envision CB&I serving as an intermediary to arrange financing from a third party. By bringing together project developers and alternative solutions for funding, we expect to achieve both top- and bottom-line growth.

Our third growth strategy aims to create step-change growth in sustainable revenue, profitability and shareholder value from acquisitions and other business opportunities. Our recent purchases of XL Technology Systems and Trusco Tank represent the first steps in implementing this strategy. By combining our existing experience in vacuum facility construction and project management with XL's leading-edge thermal vacuum technology and manufacturing capabilities, CB&I can now provide complete solutions to customers in the growing aerospace and telecommunications industries.

Trusco is a leading provider of storage tanks to the municipal and industrial water markets on the U.S. West Coast. Its acquisition will help us expand our U.S. water services business and provides us with access to a geographic segment and a product line where we have not successfully competed in recent years.

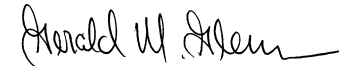
In the months ahead, we will continue to evaluate additional opportunities that meet our acquisition criteria.

CB&I also expects to achieve growth through homegrown initiatives that are developed in response to potential market opportunities or to leverage our core competencies into new areas. UltraPure Systems, our

new high purity piping group, is an example of this type of business opportunity. UltraPure is ramping up operations in the United States, Puerto Rico and Singapore to provide engineering and construction services to customers in the fast-growing microelectronics, pharmaceutical, and food and beverage industries. By combining CB&I's global expertise in mobilization and project management—especially in international locations—with the technical know-how of its employees, UltraPure aims to occupy a market niche where there is abundant opportunity.

There's that word again: opportunity. We firmly believe that CB&I has the proven ability to take advantage of the opportunities that it creates through the implementation of our growth strategies. By strengthening our underlying capabilities in a down market, CB&I is well positioned to profit from the industry upturn that is gathering momentum around the world. We think it's a compelling story. We wish to thank our employees, shareholders and customers for their continued confidence in our future.

Sincerely,



Gerald M. Glenn  
Chairman, President and  
Chief Executive Officer

