

CHICAGO BRIDGE & IRON CO N V
Form 10-K
February 24, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **Annual Report Pursuant to Section 13 or 15(d)**
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2011

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

31-70-3732010

(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:

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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

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 amendment 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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 \$38.90 as of June 30, 2011 was \$3,836,282,873.

The number of shares outstanding of the registrant's common stock as of February 15, 2012 was 97,743,730.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2012 Proxy Statement

Part III

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PART I

Item 1. Business

Founded in 1889, Chicago Bridge & Iron N.V. (CB&I or the Company), a Netherlands company, is one of the world's leading integrated engineering, procurement and construction (EPC) services providers and major process technology licensors, delivering comprehensive solutions to customers primarily in the energy and natural resource industries. Our stock trades on the New York Stock Exchange (NYSE) under the ticker symbol CBI. With more than a century of experience and approximately 18,000 employees worldwide, we capitalize on our global expertise and local knowledge to safely and reliably deliver projects virtually anywhere. During 2011, we executed more than 700 projects in more than 70 countries.

Segment Financial Information

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

Steel Plate Structures. Steel Plate Structures provides engineering, procurement, fabrication and construction, including mechanical erection services, for the hydrocarbon, 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 include international energy companies such as Chevron, ConocoPhillips, ExxonMobil and Shell; national energy companies such as ADNOC (Abu Dhabi), CNOOC (China) and Saudi Aramco (Saudi Arabia); and regional energy companies such as Kinder Morgan (United States) and Woodside (Australia).

Project Engineering and Construction. Project Engineering and Construction provides engineering, procurement, fabrication and construction services for upstream and downstream energy infrastructure facilities. Projects include LNG liquefaction and regasification terminals, gas processing plants, refinery units, petrochemical complexes and a wide range of other energy-related projects. Customers include international energy companies such as British Petroleum, Chevron, ConocoPhillips, ExxonMobil and Shell; national energy companies such as and Ecopetrol (Colombia); and regional energy companies such as Dominion (United States), Gazprom (Russia), Nexen (United Kingdom) and Sohar (Oman).

Lummus Technology. Lummus Technology provides licenses, services, catalysts and proprietary equipment globally to companies in the hydrocarbon refining, petrochemicals, and gas processing industries. Customers include international energy companies such as Chevron and Shell; national energy companies such as Pemex (Mexico), Petrochina (China), Rosneft (Russia) and Sabic (Saudi Arabia); and regional refiners and chemical and gas processing companies such as China Coal (China), IRPC (Thailand), Kazakhstan Petrochemical (Kazakhstan) and Williams Energy Services (United States).

Segment financial information by business sector can be found under Results of Operations within Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 16 within Item 8. Financial Statements and Supplementary Data.

Recent Acquisitions

Through December 31, 2010, we held a 50% equity investment in Catalytic Distillation Technologies (CDTECH), which provides license, basic engineering and catalyst supply for catalytic distillation applications, including gasoline desulphurization and alkylation processes. This investment was accounted for by the equity method and was reflected in the operating results of Lummus Technology. On December 31, 2010, we acquired Chemical Research and Licensing (CR&L) from CRI/Criterion, a subsidiary of Royal Dutch Shell

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plc., for approximately \$38.4 million, net of cash acquired. The acquisition of CR&L included a research and development and catalyst manufacturing facility, and enabled us to assume the remaining 50% equity interest in CDTECH, which has been consolidated and integrated into Lummus Technology.

On November 16, 2007, we acquired all of the outstanding shares of Lummus Global (Lummus) from Asea Brown Boveri Ltd. for a purchase price of approximately \$820.9 million, net of cash acquired and including transaction costs. Lummus has been integrated into Project Engineering and Construction and Lummus Technology.

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. Our HSE performance also translates directly to lower cost and reduced risk to our employees, subcontractors and customers. According to the United States (U.S.) Bureau of Labor Statistics, the national Lost Workday Case Incidence Rate for construction companies similar to CB&I was 1.2 per 100 full-time employees for 2010 (the latest reported year), while our rate for 2011 was only 0.02 per 100 employees.

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 over 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 personnel, 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.

Modular Fabrication. We are one of the few EPC and process technology contractors with 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 which allows us to, among other things, better control quality, minimize weather delays and expedite schedules. Once completed, the modules are shipped to and assembled at the project site.

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

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 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 cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics.

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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

We anticipate that our near-term growth will primarily be derived organically from our end markets. On an opportunistic and strategic basis, we may pursue additional growth through selective acquisitions of businesses, technologies, or assets that meet our stringent acquisition criteria and will expand or complement our current portfolio of services.

Competition

We operate in a competitive environment. Technology performance, price, timeliness of completion, quality, safety record and reputation are the principal competitive factors within our industry. There are numerous regional, national and global competitors that offer similar services to those offered by each of our business sectors.

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 are primarily in the hydrocarbon industry and include major petroleum and petrochemical companies (see the Segment Financial Information section above for a listing of our significant customers). We have had longstanding relationships with many of our significant customers; however, we are not dependent upon any single customer on an ongoing basis and do not believe the loss of any single customer would have a material adverse effect on our business. For 2011, revenue from our Colombian refinery project for Reficar was approximately \$690.9 million (approximately 15% of our total 2011 revenue). For 2010 and 2009, we had no customers that accounted for more than 10% of our total revenue.

Backlog

A significant portion of revenue and backlog for each of our business sectors is generated from work outside of the U.S. As of December 31, 2011, we had a backlog of work to be completed on contracts of approximately \$9.0 billion, compared with \$6.9 billion as of December 31, 2010. Due to the timing of awards and the long-term nature of some of our projects, approximately 55% to 60% of our December 31, 2011 backlog is anticipated to be recognized as revenue beyond 2012.

Types of Contracts

Our contracts are awarded on a competitive bid and negotiated basis. We offer our customers a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. Each contract is designed to optimize the balance between risk and reward.

Raw Materials and Suppliers

The principal raw materials 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

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suppliers worldwide, with some furnished under negotiated supply agreements. We anticipate being able to obtain these materials for the foreseeable future; however, the price, availability and schedule validities offered by our suppliers may vary significantly from year to year due to various factors, including supplier consolidations, supplier raw material shortages and costs, surcharges, supplier capacity, customer demand, market conditions, and any duties and tariffs imposed on the materials.

We use subcontractors where it assists us in meeting customer requirements with regard to resources, 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 countries, 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.

We believe that we are in compliance, in all material respects, with all environmental laws and regulations. We do not believe that any environmental matters will have a material adverse effect on our future results of operations, financial position or cash flow. We do not anticipate that we will incur material capital expenditures for environmental controls or for the investigation or remediation of environmental conditions during 2012 or 2013.

Patents

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

Employees

As of December 31, 2011, we employed 18,200 persons worldwide, comprised of 9,600 salaried employees and 8,600 hourly and craft employees. The number of hourly and craft employees varies in relation to the location, number and size of projects we have in process at any particular time. To preserve our project management and technological expertise as core competencies, we continuously recruit and develop qualified personnel, and maintain ongoing training programs for engineers and field supervision and craft personnel.

The percentage of our employees represented by unions generally ranges between 5 and 10 percent. We have agreements, which generally extend up to three years, with various unions representing groups of employees at project sites in the U.S., Canada, Australia and various other countries. 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.

Available Information

We make available our Annual Reports 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, free of charge through our internet website at 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").

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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 N.E., Washington, D.C. 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 our filings and other information regarding issuers who file electronically with the SEC at www.sec.gov.

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 or cash flow:

Risk Factors Relating to Our Business

Our Business is Dependent upon Major Construction Projects, the Unpredictable Timing of Which May Result in Significant Fluctuations in our Cash Flow due to the Timing of Receipt of Payment Under the Contract.

Our cash flow is 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, delays in completion of projects, or failure to obtain timely payment from our customers, could result in significant periodic fluctuations in our cash flow. Many of our contracts require us to satisfy specific progress or performance milestones in order to receive payment from the customer. As a result, we may incur significant costs for engineering, materials, components, equipment, labor or subcontractors prior to receipt of payment from a customer. Such expenditures could reduce our cash flow and necessitate borrowings under our credit facilities.

The Nature of Our Primary Contracting Terms for EPC Projects, Including Cost-Reimbursable and Fixed-Price or a Combination Thereof, Could Adversely Affect Our Operating Results.

We offer our customers a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. As of December 31, 2011, the distribution of our backlog was approximately 55% cost-reimbursable, 38% fixed-price and hybrid, and 7% Lummus Technology.

Under cost-reimbursable contracts, we generally perform our services in exchange for a price that consists of reimbursement of all customer-approved costs and a profit component, which is typically a fixed rate per hour, an overall fixed fee, or a percentage of total reimbursable costs. If we are unable to obtain proper reimbursement for all costs incurred due to improper estimates, performance issues, customer disputes, or any of the additional factors noted below for fixed-price contracts, the project may be less profitable than we expected.

Under fixed-price contracts, we perform our services and execute our projects at an established price and, as a result, benefit from cost savings, but may be unable to recover any cost overruns. If we do not execute a 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 a variety of factors, including but not limited to:

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

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

unanticipated technical problems with the structures or systems we supply;

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

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

changes in labor conditions;

productivity delays caused by weather conditions;

failure of our suppliers or subcontractors to perform;

difficulties in obtaining required governmental permits or approvals; and

changes in laws and regulations.

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 estimates will change in a manner that increases costs. In addition, we sometimes bear the risk of delays caused by unexpected conditions or events.

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 and the recognition of losses expected to be incurred on contracts in progress. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates. For discussion of the significant estimates that impact the cost to complete each contract, see the *Critical Accounting Estimates* section of Item 7.

We Are Exposed to Potential Risks and Uncertainties Associated With Our Use of Joint Venture Arrangements to Execute Certain Projects.

In the ordinary course of business, we execute specific projects and conduct certain operations through joint venture arrangements. We have various ownership interests in the joint venture entities with such ownership typically being proportionate to our decision-making and distribution rights. The joint venture generally contracts directly with the third party customer; however, services may be performed directly by the joint venture, or may be performed by us or our joint venture partners, or a combination thereof.

The use of these joint venture arrangements exposes us to a number of risks, including the risk that our partners may be unable or unwilling to provide their share of capital investment to fund the operations of the joint venture or to complete their obligation to us, the joint venture or ultimately, our customer. This could result in unanticipated costs to achieve contractual performance requirements, liquidated damages or contract disputes, including claims against our partners, any of which could have a material effect on our future results of operations, financial position or cash flow.

Our Revenue and Earnings May Be Adversely Affected by a Reduced Level of Activity in the Hydrocarbon Industry.

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 but not limited to the following:

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;

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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;

demand for hydrocarbon production; and

changing taxes, price controls, and laws and regulations.

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.

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

The EPC and process technology markets are highly competitive markets in which a large number of multinational companies compete, and these markets 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.

Volatility in the Equity and Credit Markets Could Adversely Impact Us due to Factors Affecting the Availability of Funding for Our Customers, Availability of Our Lending Facilities and Non-Compliance with Our Financial and Restrictive Lending Covenants.

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 adversely impacted by a volatile equity or credit market. The availability of lending facilities and our ability to remain in compliance with our financial and restrictive lending covenants could also be impacted by circumstances or conditions beyond our control, including but not limited to, the delay or cancellation of projects, changes in currency exchange or interest rates, performance of pension plan assets, or changes in actuarial assumptions. Further, we could be impacted if our customers experience a material change in their ability to pay us, if the banks associated with our lending facilities were to cease or reduce operations, or if there is a full or partial break-up of the European Union or its currency, the Euro.

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. 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 increasing 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 flow, resulting in increased borrowing needs.

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

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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 Could Be Adversely Affected by Violations of the U.S. Foreign Corrupt Practices Act (FCPA) and Similar Worldwide Anti-Bribery Laws.

The FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from offering anything of value to government officials for the purpose of obtaining or retaining business, directing business to a particular person or legal entity or obtaining an unfair advantage. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We train our employees concerning anti-bribery laws and issues, and we also inform our partners, subcontractors, and third parties who work for us or on our behalf that they must comply with anti-bribery law requirements. We also have procedures and controls in place to monitor internal and external compliance. Allegations of violations of anti-bribery laws, including the FCPA, may also result in internal, independent or governmental investigations. We cannot assure that our internal controls and procedures will always protect us from the reckless or criminal acts committed by our employees, partners or third parties working for us or on our behalf. If we are found to be liable for anti-bribery law violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from criminal or civil penalties or other sanctions which could have a material adverse effect on our business.

We May Experience Increased Costs and Decreased Cash Flow 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, for which the improper characterization, handling or disposal could constitute violations of U.S. federal, state or local laws and regulations and laws of other countries, 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 financial 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.

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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 ensure that our 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 we do not believe that any of our pending contractual, employment-related personal injury or property damage claims and disputes will have a material effect on our future 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, 2011, we had a backlog of work to be completed on contracts of approximately \$9.0 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 contract performance.

In addition, 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 typically have no contractual right to the total revenue reflected in our backlog. In addition, although we may be reimbursed for certain costs, we may be unable to recover all direct costs incurred and may incur additional unrecoverable costs due to the resulting under-utilization of our assets.

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

A significant number of our projects are performed or located outside the U.S., including projects in developed or developing countries with economic conditions and 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 but not limited to the following:

unstable economic conditions in some countries in which we make capital investments, operate or provide services, including Europe, which has experienced recent economic turmoil;

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increased costs, lower revenue and backlog and decreased liquidity resulting from a full or partial break-up of the European Union or its currency, the Euro;

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.

Political instability risks may arise from time to time on a country-by-country basis where we happen to have an active project.

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

We are exposed to market risk associated with changes in foreign currency exchange rates. Our exposure to changes in foreign currency exchange rates arises from receivables, payables, and firm and forecasted commitments associated with foreign transactions, as well as intercompany loans utilized 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 exchange rate derivatives. In circumstances where we utilize derivatives, our results of operations might be negatively impacted if the underlying transactions occur at different times or in different amounts than originally anticipated, or if the counterparties to our contracts fail to perform. We do not hold, issue, or use financial instruments for trading or speculative purposes.

Our Goodwill and Other Finite-Lived Intangible Assets Could Become Impaired and Result in Future Charges to Earnings.

Our goodwill balance represents the excess of the purchase price over the fair value of net assets acquired as part of previous acquisitions. Net assets acquired include identifiable finite-lived intangible assets that were recorded at fair value based upon expected future recovery of the underlying assets.

At December 31, 2011, our goodwill balance of \$926.4 million, was distributed among our business sectors as follows: Steel Plate Structures \$48.3 million, Project Engineering and Construction \$444.4 million and Lummus Technology \$433.7 million. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any indicators of impairment. We perform our annual impairment assessment during the fourth quarter of each year based upon balances as of the beginning of that year's fourth quarter. In the fourth quarter of 2011, as part of our annual impairment assessment, we elected the alternative of first performing a qualitative assessment of goodwill to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying value. Based upon this qualitative assessment, a two-phase quantitative assessment was not required to be performed for any of our reporting units and no impairment charge was necessary during 2011. If the two-phase quantitative assessment is deemed necessary in the future, based on future qualitative assessments, the first phase would screen for impairment, while the second phase, if necessary, would measure impairment. If required, our quantitative analysis of goodwill to screen for future impairment would be accomplished by comparing an estimate of discounted future cash flow to the net book value of each applicable reporting unit.

At December 31, 2011, we had finite-lived intangible assets of \$188.1 million. We review finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and absent any indicators of impairment, the assets are amortized over their anticipated

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useful lives. In the future, if our remaining goodwill or other intangible assets are determined to be impaired, the impairment would result in a charge to earnings in the year of the impairment with a resulting decrease in our net worth.

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, assets or technologies that will enable us to broaden the types of projects we execute and technologies we provide and to 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 but not limited to the following:

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;

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

assumption of risks and liabilities (including, for example, environmental-related costs), some of which we may not discover during our due diligence;

disruption of or insufficient management attention to our ongoing business;

inability to realize the cost savings or other financial or operational benefits we anticipated; and

potential requirement for additional equity or debt financing, which may not be available on attractive terms.

Realization of one or more of these risks could have an adverse impact on our future results of operations, financial condition or cash flow. Moreover, to the extent an acquisition financed by non-equity consideration results in additional goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

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

Our future success depends upon 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 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 Related to 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 operating results 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, changes in our estimated costs to complete projects, or 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 are currently 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 is 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 we pay 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.

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Our Sale or Issuance of Additional Common Shares Could Dilute Each Shareholder's Share Ownership.

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 issue additional equity securities that could dilute our earnings per share and each shareholder's share ownership.

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. Forward-looking statements involve known and unknown risks and uncertainties. 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) 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, ho continue, potential, expect, believe, anticipate, project, estimate, predict, intend, should, could, may, might, or similar expressions or the negative of any of these terms. Any statements in this Form 10-K that are not based upon historical fact are forward-looking statements and represent our best judgment as to what may occur in the future.

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: 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 or failure to receive timely or proper payments on cost-reimbursable contracts, whether as a result of improper estimates, performance, disputes, or otherwise; risks associated with labor productivity; risks associated with percentage of completion (POC) 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 assets or rights; failure to keep pace with technological changes or innovation; 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, results of operations or cash flow; 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

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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 FCPA and those concerning the environment, export controls and trade sanction programs; 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 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 section entitled Forward-Looking Statements .

Item 1B. *Unresolved Staff Comments*

None.

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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; Steel Plate Structures (SPS), Project Engineering and Construction (PEC), Lummus Technology (LT), and Corporate (Corp):

Location	Type of Facility	Interest	Sector
Al Aujam, Saudi Arabia	Fabrication facility and warehouse	Owned	SPS
Al-Khobar, Saudi Arabia	Administrative and engineering office	Leased	SPS, PEC
Clive, Iowa	Engineering and operations office and fabrication facility	Owned	SPS
Dubai, United Arab Emirates	Administrative, engineering and operations office and warehouse	Leased	SPS
Fort Saskatchewan, Canada	Operations office, fabrication facility and warehouse	Owned	SPS
Houston, Texas	Operations office, fabrication facility and warehouse	Owned/Leased	SPS