

CHICAGO BRIDGE & IRON CO N V
Form 10-Q
October 26, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 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)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's common stock as of October 17, 2011 98,505,617

CHICAGO BRIDGE & IRON COMPANY N.V.

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CHICAGO BRIDGE & IRON COMPANY N.V.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	September 30, Three Months Ended September 30, 2011	September 30, Three Months Ended September 30, 2010	September 30, Nine Months Ended September 30, 2011	September 30, Nine Months Ended September 30, 2010
	(Unaudited)			
Revenue	\$ 1,255,344	\$ 909,099	\$ 3,295,320	\$ 2,694,467
Cost of revenue	1,108,532	789,231	2,871,699	2,332,016
Gross profit	146,812	119,868	423,621	362,451
Selling and administrative expense	49,749	43,365	155,889	140,955
Intangibles amortization	6,409	5,832	19,073	17,592
Other operating expense (income), net	614	(708)	(230)	144
Equity earnings	(2,688)	(6,687)	(7,238)	(13,729)
Income from operations	92,728	78,066	256,127	217,489
Interest expense	(1,105)	(5,739)	(7,700)	(12,538)
Interest income	2,381	1,272	5,496	3,563
Income before taxes	94,004	73,599	253,923	208,514
Income tax expense	(22,601)	(19,918)	(69,253)	(61,044)
Net income	71,403	53,681	184,670	147,470
Less: Net loss (income) attributable to noncontrolling interests	761	(1,837)	(106)	(6,108)
Net income attributable to CB&I	\$ 72,164	\$ 51,844	\$ 184,564	\$ 141,362
Net income attributable to CB&I per share:				
Basic	\$ 0.74	\$ 0.53	\$ 1.88	\$ 1.44
Diluted	\$ 0.72	\$ 0.52	\$ 1.84	\$ 1.41
Weighted average shares outstanding:				
Basic	97,772	97,675	98,251	98,448
Diluted	99,814	99,756	100,271	100,445
Cash dividends on shares:				
Amount	\$ 4,921	\$	\$ 14,841	\$
Per share	\$ 0.05	\$	\$ 0.15	\$

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

CHICAGO BRIDGE & IRON COMPANY N.V.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	September 30, Three Months Ended September 30, 2011	September 30, September 30, 2010 (Unaudited)	September 30, Nine Months Ended September 30, 2011	September 30, September 30, 2010
Net income	\$ 71,403	\$ 53,681	\$ 184,670	\$ 147,470
Other comprehensive (loss) income, net of tax:				
Currency translation adjustment	(39,570)	35,154	(17,210)	(5,185)
Change in unrealized fair value of cash flow hedges	(454)	3,262	1,211	1,609
Change in unrecognized prior service pension (credits) costs	(333)	(127)	2,730	(104)
Change in unrecognized actuarial pension losses	909	1,554	650	163
Comprehensive income	31,955	93,524	172,051	143,953
Less: Net loss (income) attributable to noncontrolling interests	761	(1,837)	(106)	(6,108)
Less: Currency translation adjustment attributable to noncontrolling interests	(799)	(253)	(926)	(219)
Comprehensive income attributable to CB&I	\$ 31,917	\$ 91,434	\$ 171,019	\$ 137,626

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

CHICAGO BRIDGE & IRON COMPANY N.V.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	September 30, September 30, 2011 (Unaudited)	September 30, December 31, 2010
Assets		
Cash and cash equivalents	\$ 539,899	\$ 481,738
Accounts receivable, net	585,317	364,661
Costs and estimated earnings in excess of billings	203,957	144,133
Deferred income taxes	135,179	105,615
Other current assets	119,382	110,501
Total current assets	1,583,734	1,206,648
Equity investments	94,170	92,400
Property and equipment, net	264,547	290,206
Deferred income taxes	74,302	98,049
Goodwill	935,837	938,855
Other intangibles, net	197,104	215,401
Other non-current assets	70,964	67,975
Total assets	\$ 3,220,658	\$ 2,909,534
Liabilities		
Notes payable	\$	\$ 334
Current maturity of long-term debt	40,000	40,000
Accounts payable	507,410	359,225
Accrued liabilities	265,244	235,829
Billings in excess of costs and estimated earnings	849,404	805,245
Income taxes payable	8,815	
Total current liabilities	1,670,873	1,440,633
Long-term debt	40,000	40,000
Other non-current liabilities	222,098	244,080
Deferred income taxes	99,669	100,976
Total liabilities	2,032,640	1,825,689
Shareholders Equity		
Common stock, Euro .01 par value; shares authorized: 250,000,000; shares issued: 101,522,318; shares outstanding: 98,425,960 and 99,342,999	1,190	1,190
Additional paid-in capital	366,609	352,420
Retained earnings	952,894	783,171
Stock held in trust	(9,796)	(20,161)
Treasury stock, at cost: 3,096,358 and 2,179,319 shares	(109,361)	(40,166)
Accumulated other comprehensive loss	(34,537)	(20,992)
Total CB&I shareholders equity	1,166,999	1,055,462
Noncontrolling interests	21,019	28,383

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Total shareholders' equity	1,188,018	1,083,845
Total liabilities and shareholders' equity	\$ 3,220,658	\$ 2,909,534

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

CHICAGO BRIDGE & IRON COMPANY N.V.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	September 30, Nine Months Ended September 30, 2011	September 30, Nine Months Ended September 30, 2010 (Unaudited)
Cash Flows from Operating Activities		
Net income	\$ 184,670	\$ 147,470
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52,037	55,734
Deferred taxes	12,288	21,185
Stock-based compensation expense	30,566	25,987
Equity earnings, net	(7,238)	(11,765)
(Gain) loss on sale of property and equipment	(230)	5,417
Unrealized loss (gain) on foreign currency hedge ineffectiveness	1,368	(422)
Excess tax benefits from stock-based compensation	(15,286)	(6,765)
Change in operating assets and liabilities:		
(Increase) decrease in receivables, net	(220,656)	71,027
Change in contracts in progress, net	(15,665)	(85,853)
Increase (decrease) in accounts payable	148,185	(115,443)
Increase in other current and non-current assets	(9,754)	(25,736)
Increase (decrease) in income taxes payable	8,815	(15,248)
Increase (decrease) in accrued and other non-current liabilities	9,131	(9,795)
Decrease in equity investments	5,605	26,853
Decrease in other	5,290	4,573
Net cash provided by operating activities	189,126	87,219
Cash Flows from Investing Activities		
Cost of business acquisitions, net of cash acquired		(4,000)
Capital expenditures	(23,822)	(16,386)
Proceeds from sale of property and equipment	7,763	6,186
Net cash used in investing activities	(16,059)	(14,200)
Cash Flows from Financing Activities		
Decrease in notes payable	(334)	(183)
Excess tax benefits from stock-based compensation	15,286	6,765
Purchase of treasury stock	(100,480)	(51,264)
Issuance of stock	10,174	7,904
Dividends paid	(14,841)	
Distributions to noncontrolling interests	(8,396)	(1,972)
Revolving facility costs		(9,804)
Net cash used in financing activities	(98,591)	(48,554)
Effect of exchange rate changes on cash	(16,315)	10,406
Increase in cash and cash equivalents	58,161	34,871
Cash and cash equivalents, beginning of the year	481,738	326,000

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Cash and cash equivalents, end of the period	\$	539,899	\$	360,871
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The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

CHICAGO BRIDGE & IRON COMPANY N.V.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Stock Held in Trust		Treasury Stock		Accumulated Other Comprehensive (Loss) Income		Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount			Shares	Amount	Shares	Amount	Income	Interests		
Balance at December 31, 2010	99,343	\$ 1,190	\$ 352,420	\$ 783,171	1,379	\$ (20,161)	2,179	\$ (40,166)	\$ (20,992)	\$ 28,383	\$ 1,083,845	
Net income				184,564						106	184,670	
Currency translation adjustment, net									(18,136)	926	(17,210)	
Change in unrealized fair value of cash flow hedges, net									1,211		1,211	
Change in unrecognized prior service pension costs, net									2,730		2,730	
Change in unrecognized actuarial pension gains, net									650		650	
Distributions to noncontrolling interests										(8,396)	(8,396)	
Dividends paid				(14,841)							(14,841)	
Stock-based compensation expense			30,566								30,566	
Release of trust shares	(114)		(2,421)		(626)	10,365	114	(4,649)			3,295	
Purchase of treasury stock	(2,750)						2,750	(100,480)			(100,480)	
Issuance of stock	1,947		(13,956)				(1,947)	35,934			21,978	
Balance at September 30, 2011	98,426	\$ 1,190	\$ 366,609	\$ 952,894	753	\$ (9,796)	3,096	\$ (109,361)	\$ (34,537)	\$ 21,019	\$ 1,188,018	

	Common Stock		Additional Paid-In Capital	Retained Earnings	Stock Held in Trust		Treasury Stock		Accumulated Other Comprehensive (Loss) Income		Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount			Shares	Amount	Shares	Amount	Income	Interests		
Balance at December 31, 2009	100,204	\$ 1,190	\$ 359,283	\$ 578,612	2,122	\$ (33,576)	1,319	\$ (30,872)	\$ (817)	\$ 23,470	\$ 897,290	
Net income				141,362						6,108	147,470	
Currency translation adjustment, net									(5,404)	219	(5,185)	
Change in unrealized fair value of cash flow hedges, net									1,609		1,609	
Change in unrecognized prior service pension costs, net									(104)		(104)	

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Change in unrecognized actuarial pension gains, net								163			163
Distributions to noncontrolling interests									(1,972)		(1,972)
Stock-based compensation expense		25,987									25,987
Release of trust shares		(12,228)		(732)		13,212					984
Purchase of treasury stock	(2,692)						2,692	(51,264)			(51,264)
Issuance of stock	1,593	(24,245)					(1,593)	36,909			12,664
Balance at September 30, 2010	99,105	\$ 1,190	\$ 348,797	\$ 719,974	1,390	\$ (20,364)	2,418	\$ (45,227)	\$ (4,553)	\$ 27,825	\$ 1,027,642

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

CHICAGO BRIDGE & IRON COMPANY N.V.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011

(\$ values in thousands, except per share data)

(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The accompanying unaudited interim Condensed Consolidated Financial Statements (financial statements) for Chicago Bridge & Iron Company N.V. (CB&I or the Company) have been prepared pursuant to the rules and regulations of the United States (U.S.) Securities and Exchange Commission (the SEC). In the opinion of management, these financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of our financial position as of September 30, 2011 and our results of operations and cash flows for each of the three and nine-month periods ended September 30, 2011 and 2010. The December 31, 2010 Condensed Consolidated Balance Sheet is derived from our December 31, 2010 audited Consolidated Balance Sheet; however, certain December 31, 2010 balances have been reclassified to conform to our September 30, 2011 presentation.

Management believes the disclosures in these financial statements are adequate to make the information presented not misleading. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to the rules and regulations of the SEC for interim reporting periods. The results of operations and cash flows for the interim periods are not necessarily indicative of the results to be expected for the full year. The accompanying financial statements should be read in conjunction with our Consolidated Financial Statements and notes thereto included in our 2010 Annual Report on Form 10-K (2010 Annual Report).

Use of Estimates The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. We believe the most significant estimates and judgments are associated with revenue recognition on engineering and construction and technology contracts, recoverability assessments that must be periodically performed with respect to goodwill and intangible asset balances, valuation of accounts receivable, financial instruments and deferred tax assets, and the determination of liabilities related to self-insurance programs. If the underlying estimates and assumptions upon which the financial statements are based change in the future, actual amounts may differ from those included in the accompanying financial statements.

Revenue Recognition Our contracts are awarded on a competitive bid and negotiated basis. We offer our customers a range of contracting options, including fixed-price, cost reimbursable and hybrid approaches. We follow the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Revenue Recognition Topic 605-35 for accounting policies relating to our use of the percentage-of-completion (POC) method, estimating costs, and revenue recognition, including the recognition of profit incentives, unapproved change orders and claims, and combining and segmenting contracts. Our contract revenue is primarily recognized using the POC method, based on the percentage that actual costs-to-date bear to total estimated costs to complete each contract. We utilize this cost-to-cost approach, the most widely recognized method used for POC accounting, as we believe this method is less subjective than relying on assessments of physical progress. Under the cost-to-cost approach, the use of estimated cost to complete each contract is a significant variable in the process of determining recognized revenue and is a significant factor in the accounting for contracts. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods 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.

Contract revenue reflects the original contract price adjusted for approved change orders and estimated minimum recoveries of unapproved change orders and claims. We recognize revenue associated with unapproved change orders and claims to the extent that related costs have been incurred, recovery is probable and the value can be reliably estimated. For the three and nine-month periods ended September 30, 2011 and 2010, we had no material unapproved change orders or claims recognized in revenue.

Cumulative costs and estimated earnings recognized to date in excess of cumulative billings is reported on the balance sheet as costs and estimated earnings in excess of billings. Cumulative billings in excess of cumulative costs and estimated earnings recognized to date is reported as billings in excess of costs and estimated earnings. Any uncollected billed revenue, including contract retentions, is reported as accounts receivable. The timing of when we bill our customers is generally dependent upon advance billing terms or completion of certain phases of the work. At September 30, 2011 and December 31, 2010, accounts receivable included contract retentions totaling approximately \$28,400 and \$31,700, respectively. Contract retentions estimated to be collectible beyond one year were not significant at September 30, 2011 or December 31, 2010. Cost of revenue includes direct contract costs, such as material and labor, and indirect costs that are attributable to contract activity.

Goodwill and Other Intangible Assets 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. We early adopted FASB Accounting Standards Update (ASU) 2011-08 in the current quarter, which allows us the option to first perform a qualitative assessment of goodwill to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value when we perform our annual impairment assessment. If necessary, based on the qualitative assessment, we would then perform a two-phase quantitative assessment for any applicable reporting units. The first phase screens for impairment, while the second phase, if necessary, measures impairment. Our quantitative analysis of goodwill for potential impairment, if required, would be accomplished by comparing an estimate of discounted future cash flows to the net book value of each applicable reporting unit.

We review finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an evaluation is required, the estimated cash flows associated with the intangible asset will be compared to the carrying amount to determine if an impairment exists. Finite-lived identifiable intangible assets are amortized on a straight-line basis over estimated useful lives ranging from 5 to 20 years, absent any indicators of impairment.

Earnings Per Share (EPS) Basic EPS is calculated by dividing net income attributable to CB&I by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of dilutive securities, consisting of employee stock options, restricted shares, performance shares (where performance criteria have been met) and directors' deferred-fee shares. See Note 2 for calculations associated with basic and diluted EPS.

Concentrations of Credit Risk Our billed and unbilled revenue is generated from clients around the world, the majority of which are in the natural gas, petroleum and petrochemical industries. Most contracts require advance payments or progress payments. We generally do not require collateral, but in most cases can place liens against the property or equipment constructed or terminate the contract if a material default occurs. We may be exposed to potential credit risk if our customers should encounter financial difficulties, and we maintain reserves for specifically identified potential uncollectible receivables. As of September 30, 2011 and December 31, 2010, allowances for doubtful accounts totaled approximately \$1,700 and \$1,800, respectively.

Foreign Currency The nature of our business activities involves the management of various financial and market risks, including those related to changes in foreign currency exchange rates. The effects of translating financial statements of foreign operations into our reporting currency are recognized as a cumulative translation adjustment in accumulated other comprehensive income (loss) (AOCI). These balances, which have been primarily impacted in the current year by movements in the Australian Dollar and Canadian Dollar exchange rates against the U.S. Dollar, are net of tax, where applicable. Foreign currency exchange gains (losses) are included within cost of revenue.

Financial Instruments We utilize derivative instruments in certain circumstances to mitigate the effects of changes in foreign currency exchange rates and interest rates, as described below:

Foreign Currency Exchange Rate Derivatives We do not engage in currency speculation; however, we do utilize foreign currency exchange rate derivatives on an on-going basis to hedge against certain foreign currency-related operating exposures and to hedge intercompany loans utilized to finance our non-U.S. subsidiaries. We generally seek hedge accounting treatment for contracts used to hedge operating exposures and designate them as cash flow hedges. Therefore, gains and losses exclusive of credit risk and forward points (which represent the time-value component of the fair value of our derivative positions) are included in AOCI until the associated underlying operating exposure impacts our earnings. Changes in the fair value of credit risk and forward points, gains and losses associated with instruments deemed ineffective during the period and instruments that we do not designate as cash flow hedges, including those instruments used to hedge intercompany loans, are recognized within cost of revenue.

Interest Rate Derivatives Our interest rate derivatives are limited to a swap arrangement in place to hedge against interest rate variability associated with our unsecured term loan (the Term Loan). The swap arrangement is designated as a cash flow hedge, as its critical terms matched those of the Term Loan at inception and as of September 30, 2011. Therefore, changes in the fair value of the swap arrangement are included in AOCI.

For those contracts designated as cash flow hedges, we formally document all relationships between the derivative instruments and associated hedged items, as well as our risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives to specific firm commitments or highly-probable forecasted transactions. We continually assess, at inception and on an on-going basis, the effectiveness of derivative instruments in offsetting changes in the cash flows of the designated hedged items. Hedge accounting designation is discontinued when (1) it is determined that the derivative is no longer highly effective in offsetting changes in the cash flows of the hedged item, including firm commitments or forecasted transactions, (2) the derivative is sold, terminated, exercised, or expires, (3) it is no longer probable that the forecasted transaction will occur, or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate. See Note 5 for additional discussion of our financial instruments.

Income Taxes Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The final realization of deferred tax assets depends upon our ability to generate sufficient future taxable income of the appropriate character and in the appropriate jurisdictions.

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

As of September 30, 2011 and December 31, 2010, our unrecognized income tax benefits totaled \$11,174 and \$17,181, respectively. The net decrease was attributable to the resolutions of uncertain tax positions of \$9,742, partly offset by additional tax positions taken during the current year of \$3,735.

New Accounting Standards As noted above, in the current quarter we early adopted FASB ASU 2011-08, which allows us the option to perform a qualitative assessment of a reporting unit's fair value prior to performing the two-phase quantitative assessment previously required under ASC 350. In performing our annual impairment assessment, the two-phase quantitative assessment will only be required if it is determined under the qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying value. Our adoption of this standard will not have a material impact on our financial position, results of operations or cash flows.

2. EARNINGS PER SHARE

A reconciliation of weighted average basic shares outstanding to diluted shares outstanding and the computation of basic and diluted EPS are as follows:

	September 30, Three Months Ended September 30,		September 30, Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands, except per share data)			
Net income attributable to CB&I	\$ 72,164	\$ 51,844	\$ 184,564	\$ 141,362
Weighted average shares outstanding - basic	97,772	97,675	98,251	98,448
Effect of stock options/restricted shares/performance shares ⁽¹⁾	1,974	2,012	1,953	1,928
Effect of directors' deferred-fee shares ⁽¹⁾	68	69	67	69
Weighted average shares outstanding - diluted	99,814	99,756	100,271	100,445
Net income attributable to CB&I per share:				
Basic	\$ 0.74	\$ 0.53	\$ 1.88	\$ 1.44
Diluted	\$ 0.72	\$ 0.52	\$ 1.84	\$ 1.41
⁽¹⁾ Antidilutive shares excluded from diluted EPS	171	459	170	472

3. STOCK-BASED PLANS

Changes in common stock, additional paid-in capital, stock held in trust and treasury stock since December 31, 2010 primarily relate to activity associated with our stock-based compensation plans and share repurchases.

Stock-Based Compensation During the nine-month period ended September 30, 2011, we granted the following shares associated with our incentive plans:

	September 30, Shares	September 30, Weighted Average Grant-Date Fair Value Per Share	September 30, Weighted Average Exercise Price Per Share
Restricted shares	464,321	\$ 36.11	NA
Performance shares	286,140	\$ 36.15	NA
Stock options	26,891	\$ 20.53	\$ 33.63
Total	777,352		

During the nine-month period ended September 30, 2011, we issued the following shares associated with our incentive plans and employee stock purchase plan (ESPP):

	September 30, Shares
Performance shares (issued upon vesting)	1,113,726
Restricted shares (issued upon vesting) ⁽¹⁾	708,026
Stock options (issued upon exercise)	455,605
ESPP shares (issued upon sale)	181,079
Total	2,458,436

⁽¹⁾ Includes 511,582 shares that were previously transferred to a rabbi trust upon grant and reported as stock held in trust.

During the three-month periods ended September 30, 2011 and 2010, we recognized \$4,536 and \$4,591 of stock-based compensation expense, respectively, and during the nine-month periods ended September 30, 2011 and 2010, we recognized \$30,566 and \$25,987, respectively. For additional information related to our stock-based compensation plans, see Note 12 to our 2010 Annual Report.

Share Repurchases During the nine-month period ended September 30, 2011, we repurchased 2,749,694 shares for \$100,480 (an average price of \$36.54), consisting of 2,186,119 shares associated with repurchases of our outstanding common stock and 563,575 shares for taxes withheld on taxable share distributions.

4. GOODWILL AND OTHER INTANGIBLES

Goodwill At September 30, 2011 and December 31, 2010, our goodwill balances were \$935,837 and \$938,855, respectively, attributable to the excess of the purchase price over the fair value of net assets acquired as part of previous acquisitions. The change in goodwill for the nine-month period ended September 30, 2011 was as follows:

	September 30,
Balance at December 31, 2010	\$ 938,855
Tax goodwill in excess of book goodwill	(4,235)
Foreign currency translation	(34)
Purchase price allocation adjustments	1,251
Balance at September 30, 2011	\$ 935,837

During the nine-month period ended September 30, 2011, no indicators of goodwill impairment were identified and therefore no goodwill impairment charge was recorded. There can be no assurance that our goodwill impairment analyses will not result in a future impairment charge.

Other Intangible Assets The following table provides a summary of our finite-lived intangible assets at September 30, 2011 and December 31, 2010, including weighted-average useful lives for each major intangible asset class and in total:

	September 30, September 30, 2011		September 30, December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<i>Finite-lived intangible assets (weighted average life):</i>				
Technology (15 years)	\$ 230,486	\$ (54,189)	\$ 230,031	\$ (42,870)
Tradenames (9 years)	38,565	(24,389)	38,563	(19,782)
Backlog (5 years)	10,727	(8,293)	10,727	(6,684)
Lease agreements (6 years)	7,518	(4,684)	7,516	(3,781)
Non-compete agreements (7 years)	2,958	(1,595)	2,958	(1,277)
Total (14 years)	\$ 290,254	\$ (93,150)	\$ 289,795	\$ (74,394)

The net decrease in other intangibles for the nine-month period ended September 30, 2011 related primarily to amortization expense, which totaled \$19,073.

5. FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Derivatives

Operating Exposures At September 30, 2011, the notional value of our outstanding forward contracts to hedge certain foreign exchange-related operating exposures totaled approximately \$126,900. These contracts vary in duration, maturing up to three years from period-end. Certain of these hedges are designated as cash flow hedges, allowing changes in their fair value to be recognized in AOCI until the associated underlying operating exposure impacts our earnings. We exclude forward points, which are recognized as ineffectiveness within cost of revenue and are not material to our earnings, from our hedge assessment analysis.

Intercompany Loan Exposures At September 30, 2011, the notional value of our outstanding forward contracts to hedge certain intercompany loans utilized to finance non-U.S. subsidiaries totaled approximately \$6,800. These contracts, which we do not designate as cash flow hedges, generally mature within seven days of period-end and changes in their fair value are recognized in cost of revenue, generally offsetting any translation gains (losses) on the underlying loans.

Interest Rate Derivatives

Interest Rate Exposures We continue to utilize a swap arrangement to hedge against interest rate variability associated with our Term Loan. The swap arrangement has been designated as a cash flow hedge as its critical terms matched those of the Term Loan at inception and as of September 30, 2011. Accordingly, changes in the fair value of the hedge are recognized in AOCI.

Financial Instruments Disclosures

The following tables present the fair value of our cash and cash equivalents, foreign currency exchange rate derivatives and interest rate derivatives as of September 30, 2011 and December 31, 2010, respectively, by valuation hierarchy and balance sheet classification:

	September 30, Quoted Market Prices In Active Markets (Level 1)	September 30, September 30, 2011 Internal Models With Significant Observable Market Parameters (Level 2) ⁽¹⁾	September 30, September 30, 2011 Internal Models With Significant Unobservable Market Parameters (Level 3)	September 30, Total Carrying Value On The Balance Sheet
Assets				
Cash and cash equivalents	\$ 539,899	\$	\$	\$ 539,899
Other current assets		3,215		3,215
Other non-current assets		54		54
Total assets at fair value	\$ 539,899	\$ 3,269	\$	\$ 543,168
Liabilities				
Accrued liabilities	\$	\$ (6,871)	\$	\$ (6,871)
Other non-current liabilities		(443)		(443)
Total liabilities at fair value	\$	\$ (7,314)	\$	\$ (7,314)

	September 30, Quoted Market Prices In Active Markets (Level 1)	September 30, December 31, 2010 Internal Models With Significant Observable Market Parameters (Level 2) ⁽¹⁾	September 30, December 31, 2010 Internal Models With Significant Unobservable Market Parameters (Level 3)	September 30, Total Carrying Value On The Balance Sheet
Assets				
Cash and cash equivalents	\$ 481,738	\$	\$	\$ 481,738
Other current assets		1,814		1,814
Other non-current assets		187		187
Total assets at fair value	\$ 481,738	\$ 2,001	\$	\$ 483,739
Liabilities				
Accrued liabilities	\$	\$ (4,102)	\$	\$ (4,102)
Other non-current liabilities		(1,427)		(1,427)
Total liabilities at fair value	\$	\$ (5,529)	\$	\$ (5,529)

⁽¹⁾ We are exposed to counterparty credit risk associated with potential non-performance on our hedging instruments and the fair value of our derivatives reflects this credit risk. The total assets at fair value above represent the maximum loss that we would incur on our outstanding hedges if the applicable counterparties failed to perform according to the hedge contracts. To help mitigate counterparty credit risk, we transact only with counterparties that are rated as investment grade or higher and monitor all such counterparties on a continuous basis.

A financial instrument's categorization within the valuation hierarchy above is based upon the lowest level of input that is significant to the fair value measurement. Cash and cash equivalents are classified within Level 1 of the valuation hierarchy as they are valued at cost, which approximates fair value. Exchange-traded derivative positions are classified within Level 2 of the valuation hierarchy, as they are valued using

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internally-developed models that use readily observable market parameters (quoted market prices for similar assets and liabilities in active markets) as their basis. Level 2 derivatives are valued utilizing an income approach, which discounts future cash flows based upon current market expectations and adjusts for credit risk. In some cases, derivatives may be valued based upon models with significant unobservable market parameters and would be classified within Level 3 of the valuation hierarchy. We did not have any Level 3 classifications as of September 30, 2011 or December 31, 2010.

The carrying values of our accounts receivable, accounts payable and notes payable approximate fair value because of the short-term nature of these instruments. At September 30, 2011 and December 31, 2010, the fair value of our long-term debt, based upon current market rates for debt with similar credit risk and maturity, approximated its carrying value as interest is based upon LIBOR plus an applicable floating spread and is paid quarterly in arrears.

Derivatives Disclosures

The following table presents the total fair value by underlying risk and balance sheet classification for both derivatives designated as cash flow hedges and derivatives not designated as cash flow hedges as of September 30, 2011 and December 31, 2010:

	September 30, Balance Sheet Classification	September 30, Asset Derivatives Fair Value September 30, 2011	September 30, December 31, 2010	September 30, Balance Sheet Classification	September 30, Liability Derivatives Fair Value September 30, 2011	September 30, December 31, 2010
Derivatives designated as cash flow hedges						
Interest rate	Other current and non-current assets	\$	\$	Accrued and other non-current liabilities	\$ (2,088)	\$ (4,248)
Foreign currency	Other current and non-current assets	705	1,425	Accrued and other non-current liabilities	(668)	(631)
		\$ 705	\$ 1,425		\$ (2,756)	\$ (4,879)
Derivatives not designated as cash flow hedges						
Interest rate	Other current and non-current assets	\$	\$	Accrued and other non-current liabilities	\$	\$
Foreign currency	Other current and non-current assets	2,564	576	Accrued and other non-current liabilities	(4,558)	(650)
		\$ 2,564	\$ 576		\$ (4,558)	\$ (650)
Total fair value		\$ 3,269	\$ 2,001		\$ (7,314)	\$ (5,529)

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The following table presents the total value, by underlying risk, recognized in other comprehensive income (OCI) and reclassified from AOCI to interest expense (interest rate derivatives) and cost of revenue (foreign currency derivatives) during the three and nine-month periods ended September 30, 2011 and 2010 for derivatives designated as cash flow hedges:

	September 30,		September 30,		September 30,		September 30,		September 30,	
	September 30,		September 30,		September 30,		September 30,		September 30,	
	September 30,		September 30,		September 30,		September 30,		September 30,	
	September 30,		September 30,		September 30,		September 30,		September 30,	
	Amount of Gain (Loss) on Effective Derivative Portion				Reclassified from AOCI into Earnings ⁽¹⁾					
	Recognized in OCI									
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended			
	September 30,		September 30,		September 30,		September 30,			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Derivatives designated as cash flow hedges										
Interest rate	\$ 58	\$ (587)	\$ (215)	\$ (2,637)	\$ (832)	\$ (1,160)	\$ (2,445)	\$ (3,600)		
Foreign currency	(749)	3,225	230	1,558	(334)	(106)	515	300		
	\$ (691)	\$ 2,638	\$ 15	\$ (1,079)	\$ (1,166)	\$ (1,266)	\$ (1,930)	\$ (3,300)		

Net unrealized losses totaling \$1,225 are expected to be reclassified from AOCI into earnings during the next 12 months due to settlement of the associated underlying obligations.

The following table presents the total value, by underlying risk, recognized in interest expense (interest rate derivatives) and cost of revenue (foreign currency derivatives) for the three and nine-month periods ended September 30, 2011 and 2010 for derivatives not designated as cash flow hedges:

	Amount of Gain (Loss) Recognized in Earnings			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Derivatives not designated as cash flow hedges				
Interest rate	\$	\$	\$	\$
Foreign currency	(1,907)	127	(1,824)	(308)
	\$ (1,907)	\$ 127	\$ (1,824)	\$ (308)

6. RETIREMENT BENEFITS

Our 2010 Annual Report disclosed anticipated 2011 defined benefit pension and other postretirement plan contributions of approximately \$16,300 and \$4,300, respectively. The following table provides updated contribution information for our plans as of September 30, 2011:

	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
		Pension Plans	Other Postretirement Plans					
Contributions made through September 30, 2011	\$	13,185	\$	2,101				
Remaining contributions expected for 2011		3,700		925				
Total contributions expected for 2011	\$	16,885	\$	3,026				

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The following table provides a breakout of the net periodic benefit cost associated with our defined benefit pension and other postretirement plans for the three and nine-month periods ended September 30, 2011 and 2010:

	September 30, Three Months Ended September 30,		September 30, Nine Months Ended September 30,	
	2011	2010	2011	2010
Pension Plans				
Service cost	\$ 1,020	\$ 787	\$ 3,053	\$ 2,412
Interest cost	7,420	6,570	22,237	20,001
Expected return on plan assets	(6,613)	(5,771)	(19,825)	(17,531)
Amortization of prior service (credits) costs	(124)	23	(372)	71
Recognized net actuarial loss	288	335	867	1,001
Net periodic benefit cost	\$ 1,991	\$ 1,944	\$ 5,960	\$ 5,954
Other Postretirement Plans				
Service cost	\$ 242	\$ 273	\$ 725	\$ 819
Interest cost	731	746	2,193	2,237
Expected return on plan assets				
Amortization of prior service credits	(68)	(67)	(202)	(201)
Recognized net actuarial gain	(120)	(92)	(357)	(277)
Net periodic benefit cost	\$ 785	\$ 860	\$ 2,359	\$ 2,578

7. SEGMENT INFORMATION

Our reporting segments are comprised of three business sectors: CB&I Steel Plate Structures, CB&I Lummus and Lummus Technology. Our Chief Executive Officer evaluates the performance of these business sectors based upon revenue and income from operations. Each sector's income from operations reflects corporate costs, allocated based primarily upon revenue. Intersegment revenue is not material. The following table presents total revenue and income from operations by reporting segment:

	September 30, Three Months Ended September 30,		September 30, Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue				
CB&I Steel Plate Structures	\$ 511,376	\$ 348,662	\$ 1,336,441	\$ 1,043,831
CB&I Lummus	630,010	471,075	1,636,227	1,443,024
Lummus Technology	113,958	89,362	322,652	207,612
Total revenue	\$ 1,255,344	\$ 909,099	\$ 3,295,320	\$ 2,694,467
Income From Operations				
CB&I Steel Plate Structures	\$ 43,284	\$ 31,902	\$ 127,697	\$ 96,540
CB&I Lummus	22,601	19,680	62,092	64,232
Lummus Technology	26,843	26,484	66,338	56,717
Total income from operations	\$ 92,728	\$ 78,066	\$ 256,127	\$ 217,489

8. COMMITMENTS AND CONTINGENCIES

Legal Proceedings We have been and may from time to time be named as a defendant in legal actions claiming damages in connection with engineering and construction projects, technology licenses and other matters. These are typically claims that arise in the normal course of business, including employment-related claims and contractual disputes or claims for personal injury or property damage which occur in connection with services performed relating to project or construction sites. Contractual disputes normally involve claims relating to the timely completion of projects, performance of equipment or technologies, design or other engineering services or project construction services provided by us. Management does not currently believe that 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.

Asbestos Litigation We are a defendant in lawsuits wherein plaintiffs allege exposure to asbestos due to work we may have performed at various locations. We have never been a manufacturer, distributor or supplier of asbestos products. Through September 30, 2011, we have been named a defendant in lawsuits alleging exposure to asbestos involving approximately 5,100 plaintiffs and, of those claims, approximately 1,400 claims were pending and 3,700 have been closed through dismissals or settlements. Through September 30, 2011, the claims alleging exposure to asbestos that have been resolved have been dismissed or settled for an average settlement amount of approximately one thousand dollars per claim. We review each case on its own merits and make accruals based upon the probability of loss and our estimates of the amount of liability and related expenses, if any. We do not currently believe that any unresolved asserted claims will have a material adverse effect on our future results of operations, financial position or cash flow, and, at September 30, 2011, we had approximately \$1,700 accrued for liability and related expenses. With respect to unasserted asbestos claims, we cannot identify a population of potential claimants with sufficient certainty to determine the probability of a loss and to make a reasonable estimate of liability, if any. While we continue to pursue recovery for recognized and unrecognized contingent losses through insurance, indemnification arrangements or other sources, we are unable to quantify the amount, if any, that we may expect to recover because of the variability in coverage amounts, limitations and deductibles, or the viability of carriers, with respect to our insurance policies for the years in question.

Environmental Matters Our operations are subject to extensive and changing U.S. federal, state and local laws and regulations, as well as the laws of other nations, that establish health and environmental quality standards. These standards, among others, relate to air and water pollutants and the management and disposal of hazardous substances and wastes. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or wastes.

In connection with the historical operation of our facilities, substances which currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. In addition, we have agreed to indemnify parties from whom we have purchased or to whom we have sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred.

We believe that we are currently in compliance, in all material respects, with all environmental laws and regulations. We do not currently believe that any environmental matters will have a material adverse effect on our future results of operations, 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 the remainder of 2011 or 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is provided to assist readers in understanding our financial performance during the periods presented and significant trends that may impact our future performance. This discussion should be read in conjunction with our financial statements and the related notes thereto included elsewhere in this quarterly report.

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

RESULTS OF OPERATIONS

Current Market Conditions We continue to have a broad diversity within the entire energy project spectrum, with more than 80% of our 2011 year-to-date revenue coming from projects outside the U.S. Our revenue mix will continue to evolve consistent with changes in our backlog mix, as well as shifts in future global energy demand. We currently anticipate that investment in steel plate structures and energy processes projects will remain strong in many parts of the world. Investments across the natural gas value chain, specifically gas processing and Liquefied Natural Gas (LNG) liquefaction, are increasing in certain geographic regions, including Australia, Russia and North America. With respect to technology, we continue to see a resurgence in petrochemical activity and, while refining activity remains slow, we are experiencing improving conditions.

New Awards During the third quarter 2011, new awards, representing the value of new project commitments received during a given period, were \$3.8 billion, compared with \$893.1 million for the corresponding 2010 period. During the first nine months of 2011, new awards were \$6.0 billion, compared with \$2.4 billion for the corresponding 2010 period. These awards are included in backlog until work is performed and revenue is recognized, or until cancellation. Our new awards may vary significantly each reporting period based upon the timing of our major new project commitments. During the third quarter 2011, our most significant awards were in our CB&I Steel Plate Structures business sector, which was awarded an LNG train mechanical erection project in Australia (approximately \$2.3 billion) through a joint venture with a 35% noncontrolling interest partner, and an LNG storage tank project in Australia (approximately \$500.0 million). Our third quarter and nine-month 2011 and 2010 new awards were distributed among our business sectors as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	%	2010	%	2011	%	2010	%
CB&I Steel Plate Structures	\$ 3,135,692	82%	\$ 465,050	52%	\$ 3,797,777	63%	\$ 939,131	40%
CB&I Lummus	499,046	13%	337,985	38%	1,853,137	31%	1,157,722	49%
Lummus Technology	173,418	5%	90,097	10%	384,394	6%	272,314	11%
Total New Awards	\$ 3,808,156	100%	\$ 893,132	100%	\$ 6,035,308	100%	\$ 2,369,167	100%

See **Segment Results** below for further discussion.

Backlog Backlog at September 30, 2011 was approximately \$9.3 billion, compared with \$6.9 billion at December 31, 2010, as new awards, inclusive of the \$2.8 billion of LNG project awards discussed above, exceeded revenue for the first nine months of 2011. As of September 30, 2011, more than 80% of our backlog was for work outside the U.S. For the three and nine-month periods ended September 30, 2011, our non-U.S. dollar backlog was reduced by approximately \$500.0 million and \$300.0 million, respectively, due to the strengthening of the U.S. dollar.

Revenue Revenue for the third quarter 2011 was \$1.3 billion, representing a \$346.2 million increase (38%) from the comparable 2010 period. Revenue increased \$162.7 million (47%) for CB&I Steel Plate Structures, \$158.9 million (34%) for CB&I Lummus and \$24.6 million (28%) for Lummus Technology. Revenue for the first nine months of 2011 was \$3.3 billion, representing a \$600.9 million increase (22%) over the comparable 2010 period. Our third quarter and nine-month 2011 and 2010 revenue was distributed among our business sectors as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	%	2010	%	2011	%	2010	%
CB&I Steel Plate Structures	\$ 511,376	41%	\$ 348,662	38%	\$ 1,336,441	40%	\$ 1,043,831	39%
CB&I Lummus	630,010	50%	471,075	52%	1,636,227	50%	1,443,024	53%
Lummus Technology	113,958	9%	89,362	10%	322,652	10%	207,612	8%
Total Revenue	\$ 1,255,344	100%	\$ 909,099	100%	\$ 3,295,320	100%	\$ 2,694,467	100%

See **Segment Results** below for further discussion.

Gross Profit Gross profit was \$146.8 million (11.7% of revenue) for the third quarter 2011, compared with \$119.9 million (13.2% of revenue) for the corresponding 2010 period. Gross profit for the first nine months of 2011 was \$423.6 million (12.9% of revenue) compared with \$362.5 million (13.5% of revenue) for the corresponding 2010 period. Our 2011 results benefited from an increase in revenue and better cost recoveries, but were impacted by a generally lower margin project mix, higher pre-contract costs associated with increased bid activity, and costs associated with the realignment of facilities in the U.S.

Selling and Administrative Expense Selling and administrative expense was \$49.7 million (4.0% of revenue) for the third quarter 2011, compared with \$43.4 million (4.8% of revenue) for the corresponding 2010 period. Selling and administrative expense for the first nine months of 2011 was \$155.9 million (4.7% of revenue), compared with \$141.0 million (5.2% of revenue) for the corresponding 2010 period. The absolute dollar increase for both the quarter and nine-month periods was primarily attributable to the impact of our December 31, 2010 acquisition of the remaining 50% interest of CD Tech, a previously unconsolidated Lummus Technology joint venture investment, and increases associated with our global business development efforts. The results of CD Tech are consolidated and included within our Lummus Technology results for 2011.

Other Operating Income (Expense) Other operating income (expense) for the three and nine-month periods ended September 30, 2011 was (\$0.6) million and \$0.2 million, respectively, versus \$0.7 million and (\$0.1) million for the comparable 2010 periods, primarily reflecting the gains and losses from the sale of miscellaneous property and equipment.

Equity Earnings Equity earnings were \$2.7 million for the third quarter 2011, compared with \$6.7 million for the corresponding 2010 period. Equity earnings for the first nine months of 2011 were \$7.2 million, compared with \$13.7 million for the corresponding 2010 period. The decrease for the current quarter versus the comparable 2010 period was primarily due to the impact of our consolidation of the results of CD Tech and slower project revenue development on new license awards for our Chevron Lummus Global (CLG) joint venture investment within Lummus Technology. Our nine-month results decreased compared to the comparable 2010 period due to the consolidation of CD Tech, partly offset by higher catalyst sales for CLG during the first half of the current year.

Income from Operations Income from operations was \$92.7 million (7.4% of revenue) for the third quarter 2011, compared with \$78.1 million (8.6% of revenue) for the corresponding 2010 period. Income from operations for the first nine months of 2011 was \$256.1 million (7.8% of revenue), compared with \$217.5 million (8.1% of revenue) for the corresponding 2010 period. The absolute dollar increase for both periods was due to the reasons noted above. Our third quarter and nine-month 2011 and 2010 income from operations was distributed among our business sectors as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011	% of Revenue	2010	% of Revenue	2011	% of Revenue	2010	% of Revenue
CB&I Steel Plate Structures	\$ 43,284	8.5%	\$ 31,902	9.1%	\$ 127,697	9.6%	\$ 96,540	9.2%
CB&I Lummus	22,601	3.6%	19,680	4.2%	62,092	3.8%	64,232	4.5%
Lummus Technology	26,843	23.6%	26,484	29.6%	66,338	20.6%	56,717	27.3%
Total Income From Operations	\$ 92,728	7.4%	\$ 78,066	8.6%	\$ 256,127	7.8%	\$ 217,489	8.1%

See **Segment Results** below for further discussion.

Interest Expense and Interest Income Interest expense was \$1.1 million for the third quarter 2011, compared to \$5.7 million for the corresponding 2010 period. During the current quarter, we resolved uncertain tax positions, which resulted in the reversal of previously recorded tax reserves and associated accrued interest. The impact of the aforementioned was a reduction to interest expense in the 2011 period of approximately \$3.1 million, which was partially offset by approximately \$0.7 million of interest expense related to the timing of tax payments resulting from our periodic income tax compliance reviews. The decrease in interest expense compared to the 2010 quarter was due to the tax reserve reversals, the impact of our lower long-term debt balance, and approximately \$1.0 million of lower interest expense related to the timing of tax payments resulting from our periodic income tax compliance reviews. Interest expense for the first nine months of 2011 and 2010 was \$7.7 million and \$12.5 million, respectively. The decrease for the nine-month period was also due to the reasons noted above. Interest income was \$2.4 million for the third quarter 2011, compared with \$1.3 million for the corresponding 2010 period. Interest income for the first nine months of 2011 was \$5.5 million, compared to \$3.6 million for the corresponding 2010 period. The increase over the prior year periods was due to higher average cash balances and higher rates of return.

Income Tax Expense Income tax expense for the third quarter 2011 was \$22.6 million (24.0% of pre-tax income), versus \$19.9 million (27.1% of pre-tax income) for the comparable 2010 period. Income tax expense for the first nine months of 2011 was \$69.3 million (27.3% of pre-tax income), versus \$61.0 million (29.3% of pre-tax income) for the comparable 2010 period. Our tax rate varies depending upon our U.S. versus non-U.S. pre-tax income mix. The current period benefited from a higher forecasted percentage of non-U.S. pre-tax income and a net benefit of \$3.9 million from changes in our tax reserves, primarily for resolutions of uncertain tax positions, partially offset by additional income tax related to a change in tax law in the United Kingdom (U.K.).

Net Income (Loss) Attributable to Noncontrolling Interests Our noncontrolling interests are associated with projects in the Middle East and Asia Pacific. Net loss attributable to noncontrolling interests for the third quarter 2011 was (\$0.8) million, compared to income of \$1.8 million for the corresponding 2010 period. Net income attributable to noncontrolling interest for the first nine months of 2011 was \$0.1 million, compared to \$6.1 million for the comparable 2010 period. The change compared with the corresponding 2010 periods was commensurate with the level of applicable operating results for such projects.

Segment Results

CB&I Steel Plate Structures

New Awards New awards were \$3.1 billion for the third quarter 2011, compared with \$465.1 million for the corresponding prior year period. New awards for the third quarter 2011 included awards for the LNG train mechanical erection project in Australia (approximately \$2.3 billion) and LNG storage tank project in Australia (approximately \$500.0 million) noted above, an aluminum complex storage tank project in the Middle East (approximately \$60.0 million) and various other standard storage tanks throughout the world, primarily in the U.S. and Middle East. New awards for 2010 included awards for LNG storage tanks in Asia Pacific (approximately \$190.0 million), LNG work in Australia (approximately \$50.0 million), standard storage tanks in the Middle East (approximately \$40.0 million) and various other standard storage tanks throughout the world, primarily in the U.S., Middle East and Asia Pacific. New awards for the first nine months of 2011 were \$3.8 billion compared with \$939.1 million for the corresponding 2010 period, with the increase primarily due to the LNG awards totaling \$2.8 billion noted above.

Revenue Revenue was \$511.4 million for the third quarter 2011, representing an increase of \$162.7 million (47%) over the comparable 2010 period. Increases from activity on our large storage tank projects in the Middle East and Australia were partly offset by a lower volume of storage tank work in the U.S. Revenue for the first nine months of 2011 was \$1.3 billion, increasing \$292.6 million (28%) as compared to the corresponding 2010 period, also for the reasons noted above.

Income from Operations Income from operations for the third quarter 2011 was \$43.3 million (8.5% of revenue) versus \$31.9 million (9.1% of revenue) for the comparable 2010 period. Income from operations for the first nine months of 2011 was \$127.7 million (9.6% of revenue), compared with \$96.5 million (9.2% of revenue) for the corresponding 2010 period. Our 2011 third quarter and nine-month results generally benefited from higher revenue volume. Our 2011 third quarter was also impacted by a lower margin project mix during the period, higher precontract and selling and administrative costs, costs associated with the realignment of facilities in the U.S., and the comparable 2010 quarter benefiting from a claim settlement in the U.S. Our 2011 nine-month results benefited, compared to the 2010 period, from better cost recoveries on increased global construction activity. Our 2011 nine-month results benefited, relative to our 2011 quarter, from a higher margin project mix in the first half of the year.

CB&I Lummus

New Awards New awards were \$499.0 million for the third quarter 2011, versus \$338.0 million for the comparable 2010 period. New awards for the third quarter 2011 included scope increases on existing projects in Australia, Europe, and South America and various other awards throughout the world. New awards for the comparable 2010 period included scope increases on existing projects in Asia Pacific and Canada and various awards throughout the world. New awards for the first nine months of 2011 were \$1.9 billion compared with \$1.2 billion for the corresponding 2010 period.

Revenue Revenue was \$630.0 million for the third quarter 2011, representing an increase of \$158.9 million (34%) over the comparable 2010 period. Increases in engineering and construction activity on our large refinery project in Colombia and gas plant project in Papua New Guinea, and increased construction activity on our oil sands project in Canada and gas processing plant project in the U.S., were partially offset by a lower volume of LNG work, reflecting the completion of projects in South America, Europe and the U.S. Revenue for the first nine months of 2011 was \$1.6 billion, increasing \$193.2 million (13%), as compared to the corresponding 2010 period, also for the reasons noted above.

Income from Operations Income from operations for the third quarter 2011 was \$22.6 million (3.6% of revenue) versus \$19.7 million (4.2% of revenue) for the comparable 2010 period. Income from operations for the first nine months of 2011 was \$62.1 million (3.8% of revenue) compared with \$64.2 million (4.5% of revenue) for the comparable 2010 period. Our third quarter and nine-month 2011 results generally benefited from higher revenue volume and better cost recoveries from increased engineering activities, but were impacted by a lower margin mix, primarily in the current quarter, higher precontract and selling and administrative costs, and costs associated with the realignment of facilities in the U.S.

Lummus Technology

New Awards New awards were \$173.4 million for the third quarter 2011, versus \$90.1 million for the comparable 2010 period. The increase from 2010 was primarily due to the consolidation of CD Tech and higher petrochemical license awards, including a grassroots ethylene plant in Russia, partially offset by lower heat transfer awards. New awards for the first nine months of 2011 were \$384.4 million compared with \$272.3 million for the comparable prior-year period.

Revenue Revenue was \$114.0 million for the third quarter 2011, representing an increase of \$24.6 million (28%) over the comparable 2010 period. The increase was attributable to the growth in, and consolidation of, CD Tech in the current year and increased heat transfer revenue. Revenue for the first nine months of 2011 was \$322.7 million, increasing \$115.0 million (55%), as compared to the corresponding 2010 period for the reasons noted above, as well as higher licensing revenue in the first half of the current year.

Income from Operations Income from operations for the third quarter 2011 was \$26.8 million (23.6% of revenue) versus \$26.5 million (29.6% of revenue) for the comparable 2010 period. Income from operations for the first nine months of 2011 was \$66.3 million (20.6% of revenue) compared with \$56.7 million (27.3% of revenue) for the corresponding 2010 period. The absolute dollar increases from the prior year periods were due to increased revenue volume and the consolidation of CD Tech in the current periods, partly offset by lower equity earnings, primarily in the third quarter of the current year. The decreases in the percentage of revenue compared to the prior year periods were primarily due to the reasons noted above and a different project mix in the current periods compared to the prior year periods.

Liquidity and Capital Resources

Cash and Cash Equivalents At September 30, 2011, cash and cash equivalents totaled \$539.9 million.

Operating Activities During the first nine months of 2011, cash provided by operations totaled \$189.1 million, as cash generated from earnings was partially offset by an overall increase in working capital levels. The increase in working capital was the result of an increase in accounts receivable (\$220.7 million) primarily from increased major project activities in our CB&I Steel Plate Structures and CB&I Lummus business sectors, partly offset by an increase in accounts payable (\$148.2 million) for major projects in our CB&I Lummus business sector and various smaller projects in our CB&I Steel Plate Structures business sector.

Investing Activities During the first nine months of 2011, net cash used in investing activities totaled \$16.1 million, as capital expenditures totaling \$23.8 million were partly offset by proceeds from the sale of property and equipment totaling \$7.8 million.

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

Financing Activities During the first nine months of 2011, net cash used in financing activities totaled \$98.6 million, primarily resulting from share repurchases during the period totaling \$100.5 million (2.8 million shares at an average price of \$36.54 per share), including \$80.2 million to repurchase shares of our outstanding common stock (2.2 million shares) and \$20.3 million for stock-based compensation related withholding taxes on taxable share distributions (0.6 million shares). Additionally, dividends paid to our shareholders and distributions to our noncontrolling interest partners totaled \$14.8 million and \$8.4 million, respectively. These cash outflows were partly offset by tax benefits associated with tax deductions in excess of recognized stock-based compensation costs totaling \$15.3 million and cash proceeds from the issuance of shares associated with our stock plans totaling \$10.2 million.

Effect of Exchange Rate Changes on Cash During the first nine months of 2011, our cash balance decreased by \$16.3 million due to the impact of changes in functional currency exchange rates against the U.S. dollar on non-U.S. dollar cash balances, primarily the Canadian Dollar, Australian Dollar and Euro. The unrealized loss on our cash balance resulting from this exchange rate movement is reflected in the cumulative translation component of other comprehensive income (loss). Our cash held in non-U.S. dollar currencies is used primarily for project-related and other operating expenditures in those currencies, and therefore, our exposure to realized exchange gains and losses is not anticipated to be material.

Letters of Credit/Bank Guarantees/Debt/Surety Bonds Our primary internal source of liquidity is cash flow generated from operations. Capacity under a revolving credit facility is also available, if necessary, to fund operating or investing activities. We have a four-year, \$1.1 billion, committed and unsecured revolving credit facility with JPMorgan Chase Bank, N.A. (JPMorgan), as administrative agent, and Bank of America, N.A. (BofA), as syndication agent, which expires in July 2014 (the Revolving Facility). The Revolving Facility has a borrowing sublimit of \$550.0 million and certain financial covenants, including a maximum leverage ratio of 2.50, a minimum fixed charge coverage ratio of 1.75 and a minimum net worth level calculated as \$824.6 million at September 30, 2011. The Revolving Facility also includes customary restrictions regarding subsidiary indebtedness, sales of assets, liens, investments, type of business conducted, mergers and acquisitions and dividend payment and share repurchase limits, among other restrictions. No direct borrowings were outstanding under the Revolving Facility as of September 30, 2011; however, we had issued \$371.6 million of letters of credit. Such letters of credit are generally issued to customers in the ordinary course of business to support advance payments and performance guarantees, in lieu of retention on our contracts, or in certain cases, are issued in support of our insurance program. As of September 30, 2011, we had \$728.4 million of available capacity under the Revolving Facility.

In addition to the Revolving Facility, we have three committed and unsecured letter of credit and term loan agreements (the LC Agreements) with BofA, as administrative agent, JPMorgan, and various private placement note investors. Under the terms of the LC Agreements, either BofA or JPMorgan (the LC Issuers) can issue letters of credit. In the aggregate, they can provide up to \$258.0 million of capacity. Tranche A, a \$50.0 million facility, and Tranche B, an \$83.0 million facility, are both five-year facilities which expire in November 2011. As these two facilities are nearing their expiration date, their prospective utilization for ordinary course contractual advance payment or performance letter of credit obligations is unlikely. Therefore, during the third quarter, we exercised our option under these agreements to eliminate excess capacity and reduced Tranche B by \$17.0 million prior to the upcoming expiration date. Tranche C is an eight-year, \$125.0 million facility which expires in November 2014. As of September 30, 2011, no direct borrowings were outstanding under the LC Agreements, but we had issued \$210.7 million of letters of credit among all three tranches of LC Agreements. Outstanding letter of credit utilization was \$25.3 million under Tranche A, \$64.8 million under Tranche B and \$120.6 million under Tranche C, leaving \$24.7 million, \$18.2 million and \$4.4 million of available capacity, respectively. The LC Agreements have financial and restrictive covenants similar to those noted above for the Revolving Facility. In the event of our default under the LC Agreements, including our failure to reimburse a draw against an issued letter of credit, the LC Issuers could transfer their claim against us, to the extent such amount is due and payable by us under the LC Agreements, to the private placement lenders, creating a term loan that is due and payable no later than the stated maturity of the respective LC Agreement. In addition to quarterly letter of credit fees that we pay under the LC Agreements, we would be assessed an applicable rate of interest over LIBOR to the extent that a term loan is in effect.

Additionally, we have \$80.0 million remaining on our unsecured term loan (the Term Loan) with JPMorgan, as administrative agent, and BofA, as syndication agent. Interest under the Term Loan is paid quarterly in arrears and, at our election, is based upon LIBOR plus an applicable floating margin. However, we have an interest rate swap that provides for an interest rate of approximately 5.57%, inclusive of the applicable floating margin. The Term Loan is scheduled to be repaid in equal installments of \$40.0 million per year, with principal payments due in December 2011 and November 2012. The Term Loan has financial and restrictive covenants similar to those noted above for the Revolving Facility.