CHICAGO BRIDGE & IRON CO N V
Form 10-Q
April 27, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2011

OR

o **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. þ Yes o 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). þ Yes o 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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No

The number of shares outstanding of the registrant s common stock as of April 15, 2011 99,887,292

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CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(Unaudited)	
Revenue	$ 954,271	$ 869,324
Cost of revenue	817,555	747,043
Gross profit	136,716	122,281
Selling and administrative expenses	57,665	51,248
Intangibles amortization	6,292	5,948
Other operating (income) expense, net	(898)	73
Equity earnings	(1,346)	(3,509)
Income from operations	75,003	68,521
Interest expense	(3,057)	(3,720)
Interest income	1,372	1,236
Income before taxes	73,318	66,037
Income tax expense	(21,754)	(21,132)
Net income	51,564	44,905
Less: Net income attributable to noncontrolling interests	(1,058)	(2,714)
Net income attributable to CB&I	$ 50,506	$ 42,191
Net income attributable to CB&I per share:		
Basic	$ 0.51	$ 0.43
Diluted	$ 0.50	$ 0.42
Weighted average shares outstanding:		
Basic	98,540	98,728
Diluted	100,847	100,952
Cash dividends on shares:		
Amount	$ 4,990	$
Per share	$ 0.05	$

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

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

	March 31, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and cash equivalents	$ 430,257	$ 481,738
Accounts receivable, net	487,592	364,661
Costs and estimated earnings in excess of billings	162,906	144,133
Deferred income taxes	124,058	105,615
Other current assets	116,162	110,501
Total current assets	1,320,975	1,206,648
Equity investments	93,846	92,400
Property and equipment, net	279,359	290,206
Deferred income taxes	82,381	98,049
Goodwill	951,518	938,855
Other intangibles, net	212,496	215,401
Other non-current assets	77,094	67,975
Total assets	$ 3,017,669	$ 2,909,534
Liabilities		
Notes payable	$ 4,817	$ 334
Current maturity of long-term debt	40,000	40,000
Accounts payable	398,539	359,225
Accrued liabilities	242,885	235,829
Billings in excess of costs and estimated earnings	810,822	805,245
Total current liabilities	1,497,063	1,440,633
Long-term debt	40,000	40,000
Other non-current liabilities	238,035	244,080
Deferred income taxes	100,830	100,976
Total liabilities	1,875,928	1,825,689
Shareholders Equity		
Common stock, Euro .01 par value; shares authorized: 250,000,000; shares issued: 101,522,318; shares outstanding: 99,813,799 and 99,342,999	1,190	1,190
Additional paid-in capital	355,649	352,420
Retained earnings	828,687	783,171
Stock held in trust	(9,877)	(20,161)
Treasury stock, at cost: 1,708,519 and 2,179,319 shares	(51,651)	(40,166)

Accumulated other comprehensive loss	(5,934)	(20,992)
Total CB&I shareholders equity	1,118,064	1,055,462
Noncontrolling interests	23,677	28,383
Total shareholders equity	1,141,741	1,083,845
Total liabilities and shareholders equity	$ 3,017,669	$ 2,909,534

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CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(Unaudited)	
Cash Flows from Operating Activities		
Net income	$ 51,564	$ 44,905
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	17,266	19,721
Deferred taxes	12,430	(11,936)
Stock-based compensation expense	20,016	14,887
Equity earnings, net	(1,346)	(2,055)
(Gain) loss on sale of property and equipment	(898)	73
Unrealized gain on foreign currency hedge ineffectiveness	(117)	(288)
Excess tax benefits from stock-based compensation	(14,505)	(4,550)
Change in operating assets and liabilities:		
(Increase) decrease in receivables, net	(122,931)	49,548
Change in contracts in progress, net	(13,196)	9,408
Increase (decrease) in accounts payable	39,314	(92,949)
Increase in other current and non-current assets	(13,437)	(396)
Decrease in income taxes payable		(13,031)
Increase (decrease) in accrued and other non-current liabilities	5,742	(7,403)
Decrease in equity investments		2,500
(Increase) decrease in other	(19,264)	5,845
Net cash (used in) provided by operating activities	(39,362)	14,279
Cash Flows from Investing Activities		
Capital expenditures	(5,013)	(4,478)
Proceeds from sale of property and equipment	2,597	1,508
Net cash used in investing activities	(2,416)	(2,970)
Cash Flows from Financing Activities		
Increase (decrease) in notes payable	4,483	(43)
Excess tax benefits from stock-based compensation	14,505	4,550
Purchase of treasury stock	(37,042)	(10,529)
Issuance of stock associated with stock plans	4,776	2,901
Dividends paid	(4,990)	
Distributions to noncontrolling interests	(5,970)	
Net cash used in financing activities	(24,238)	(3,121)
Effect of exchange rate changes on cash	14,535	2,567

(Decrease) increase in cash and cash equivalents	(51,481)	10,755
Cash and cash equivalents, beginning of the year	481,738	326,000
Cash and cash equivalents, end of the period	$ 430,257	$ 336,755

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

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CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended March 31,	
	2011	**2010**
	(Unaudited)	
Net income	$ 51,564	$ 44,905
Other comprehensive income (loss), net of tax:		
Currency translation adjustment	11,267	(11,025)
Change in unrealized fair value of cash flow hedges	1,218	(439)
Change in unrecognized prior service pension credits (costs)	3,156	(47)
Change in unrecognized actuarial pension (losses) gains	(377)	276
Comprehensive income	66,828	33,670
Less: Net income attributable to noncontrolling interests	(1,058)	(2,714)
Less: Currency translation adjustment attributable to noncontrolling interests	(206)	(5)
Comprehensive income attributable to CB&I	$ 65,564	$ 30,951

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

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CHICAGO BRIDGE & IRON COMPANY N.V.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(In thousands)

	Common Stock		Additional Paid-In	Retained	Stock Held in Trust		Treasury Stock		Accumulated Other Comprehensive Income	Noncontrolling	Total Shareholders
	Shares	**Amount**	**Capital**	**Earnings**	**Shares**	**Amount**	**Shares**	**Amount**	**(Loss)**	**Interests**	**Equity**
						(Unaudited)					
Balance at December 31, 2010	**99,343**	$ 1,190	$ 352,420	$ 783,171	**1,379**	$ (20,161)	**2,180**	$ (40,166)	$ (20,992)	$ 28,383	$ 1,083,845
Net income				50,506						1,058	51,564
Currency translation adjustment, net									11,061	206	11,267
Change in unrealized fair value of cash flow hedges, net									1,218		1,218
Change in unrecognized prior service pension credits, net									3,156		3,156
Change in unrecognized actuarial pension losses, net									(377)		(377)
Distributions to noncontrolling interests										(5,970)	(5,970)
Dividends paid				(4,990)							(4,990)
Stock-based compensation expense			20,016								20,016
Release of trust shares	**(114)**		(2,414)		**(619)**	10,284	**114**	(4,649)			3,221
Purchase of treasury stock	**(1,049)**						**1,049**	(37,042)			(37,042)
Issuance of stock associated with stock plans	**1,634**		(14,373)				**(1,634)**	30,206			15,833

Balance at March 31, 2011	**99,814**	$ 1,190	$ 355,649	$ 828,687	**760**	$ (9,877)	**1,709**	$ (51,651)	$ (5,934)	$ 23,677	$ 1,141,741

(Unaudited)

	Common Stock		Additional Paid-In	Retained	Stock Held in Trust		Treasury Stock		Accumulated Other Comprehensive Income	Noncontrolling	Total Shareholders
	Shares	**Amount**	**Capital**	**Earnings**	**Shares**	**Amount**	**Shares**	**Amount**	**(Loss)**	**Interests**	**Equity**
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				42,191						2,714	44,905
Currency translation adjustment, net									(11,030)	5	(11,025)
Change in unrealized fair value of cash flow hedges, net									(439)		(439)
Change in unrecognized prior service pension costs, net									(47)		(47)
Change in unrecognized actuarial pension gains, net									276		276
Stock-based compensation expense			14,887								14,887
Release of trust shares			(12,360)		**(686)**	12,544					184
Purchase of treasury stock	**(477)**						**477**	(10,529)			(10,529)
Issuance of stock associated with stock plans	**1,151**		(22,742)				**(1,151)**	28,620			5,878
Balance at March 31, 2010	**100,878**	$ 1,190	$ 339,068	$ 620,803	**1,436**	$ (21,032)	**645**	$ (12,781)	$ (12,057)	$ 26,189	$ 941,380

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

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CHICAGO BRIDGE & IRON COMPANY N.V.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 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, that are necessary for a fair presentation of our financial position as of March 31, 2011 and our results of operations and cash flows for each of the three-month periods ended March 31, 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 March 31, 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.

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 tests 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. Losses expected to be incurred on contracts in progress are charged to earnings in the period such losses become known. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates.

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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-month periods ended March 31, 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 March 31, 2011 and December 31, 2010, accounts receivable included contract retentions totaling $25,300 and $31,700, respectively. Contract retentions estimated to be collectible beyond one year were not significant at March 31, 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.
Per Share Computations Basic earnings per share (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. A reconciliation of weighted average basic shares outstanding to diluted shares outstanding and the computation of basic and diluted EPS are as follows:

	Three Months Ended March 31,	
	2011	2010
	(in thousands, except per share data)	
Net income attributable to CB&I	$ 50,506	$ 42,191
Weighted average shares outstanding basic	98,540	98,728
Effect of stock options/restricted shares/performance shares [(1)]	2,240	2,155
Effect of directors deferred-fee shares [(1)]	67	69
Weighted average shares outstanding diluted	100,847	100,952
Net income attributable to CB&I per share:		
Basic	$ 0.51	$ 0.43
Diluted	$ 0.50	$ 0.42

(1) For the three-month periods ended March 31, 2011 and 2010, approximately 200 thousand and 500 thousand antidilutive shares, respectively, were excluded from our diluted EPS calculations.
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 maintain reserves for specifically identified potential uncollectible receivables, and as of March 31, 2011 and December 31, 2010, allowances for doubtful accounts totaled approximately $800 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 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 are net of tax, which includes tax credits associated with the translation adjustment, where applicable. Foreign currency exchange gains (losses) are included within cost of revenue.

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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 mitigate 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 March 31, 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 hedging 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 either specific firm commitments or highly-probable forecasted transactions. We continually assess, at inception and on an on-going basis, the effectiveness of hedging 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 4 for additional discussion regarding 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, increases or decreases, as appropriate, may be recorded.

New Accounting Standards There are no recently issued accounting standards that we believe will have a material impact on our financial position, results of operations or cash flows.

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2. 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 stock repurchase program.

Stock-Based Compensation During the three-month period ended March 31, 2011, we granted the following shares associated with our incentive plans:

	Shares	Weighted Average Grant-Date Fair Value Per Share	Weighted Average Exercise Price Per Share
Restricted shares	438,519	$ 35.93	NA
Performance shares	286,140	$ 36.15	NA
Stock options	26,891	$ 20.53	$ 33.63
Total	751,550		

During the three-month period ended March 31, 2011, the following shares were issued under our incentive plans and employee stock purchase plan (ESPP):

	Shares
Performance shares (issued upon vesting)	1,113,726
Restricted shares (issued upon vesting) (1)	654,274
Stock options (issued upon exercise)	301,556
ESPP shares (issued upon sale)	68,994
Total	2,138,550

(1) Includes 504,418 shares that were previously transferred to a rabbi trust upon grant and reported as stock held in trust.

During the three-month periods ended March 31, 2011 and 2010, we recognized expense associated with our stock-based compensation plans of $20,016 and $14,887, respectively. For additional information related to our stock-based compensation plans, see Note 12 to our Consolidated Financial Statements in our 2010 Annual Report on Form 10-K.

Share Repurchases During the three-month period ended March 31, 2011, we repurchased 495,899 shares associated with our stock repurchase program at an average price per share of $34.65. In addition, we withheld 553,155 shares for withholding taxes on taxable share distributions.

3. GOODWILL AND OTHER INTANGIBLES

Goodwill At March 31, 2011 and December 31, 2010, our goodwill balances were $951,518 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 three-month period ended March 31, 2011 was as follows:

Balance at December 31, 2010	$ 938,855
Foreign currency translation and other (1)	12,663
Balance at March 31, 2011	$ 951,518

(1) This change is inclusive of the impact of foreign currency translation, partly offset by reductions associated with U.S. tax goodwill in excess of book goodwill.

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Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually via a two-phase process, absent any indicators of impairment. The first phase screens for impairment, while the second phase, if necessary, measures impairment. We have elected to perform our annual impairment analysis during the fourth quarter of each year based upon balances as of the beginning of that year s fourth quarter. Impairment testing of goodwill is accomplished by comparing an estimate of discounted future cash flows to the net book value of each applicable reporting unit. No indicators of goodwill impairment have been identified during 2011. There can be no assurance that future goodwill impairment tests will not result in charges to earnings.

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

	March 31, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets (weighted average life)				
Technology (15 years)	$ 216,781	$ (47,280)	$ 212,925	$ (42,870)
Tradenames (12 years)	55,878	(21,695)	55,669	(19,782)
Backlog (5 years)	10,833	(7,291)	10,727	(6,684)
Lease agreements (6 years)	7,951	(4,318)	7,516	(3,781)
Non-compete agreements (7 years)	3,074	(1,437)	2,958	(1,277)
Total amortizable intangible assets (13 years)	$ 294,517	$ (82,021)	$ 289,795	$ (74,394)

The decrease in other intangibles, net, for the three-month period ended March 31, 2011 related to amortization expense, partially offset by the impact of foreign currency translation. Amortization expense for the three-month period ended March 31, 2011 totaled $6,292.

4. FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Derivatives

Operating Exposures At March 31, 2011, the notional value of our outstanding forward contracts to hedge certain foreign exchange-related operating exposures totaled approximately $84,500. These contracts vary in duration, maturing up to three years from period-end. Certain of these hedges are designated as cash flow hedges, which allows 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 March 31, 2011, the notional value of our outstanding forward contracts to hedge certain intercompany loans utilized to finance non-U.S. subsidiaries totaled approximately $30,200. These contracts, which we do not designate as cash flow hedges, generally mature within seven days of period-end and are marked-to-market within cost of revenue, generally offsetting any translation gains (losses) on the underlying transactions.

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 March 31, 2011. Accordingly, changes in the fair value of the hedge are recognized in AOCI.

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Financial Instruments and Other Disclosures

The following tables present all financial instruments (including our cash and cash equivalents, foreign currency exchange rate derivatives and interest rate derivatives) carried at fair value as of March 31, 2011 and December 31, 2010, respectively, by valuation hierarchy and balance sheet classification:

	March 31, 2011			
	Quoted Market Prices In Active Markets (Level 1)	Internal Models With Significant Observable Market Parameters (Level 2) [1]	Internal Models With Significant Unobservable Market Parameters (Level 3)	Total Carrying Value On The Balance Sheet
Assets				
Cash and cash equivalents	$ 430,257	$	$	$ 430,257
Other current assets		2,508		2,508
Other non-current assets		319		319
Total assets at fair value	$ 430,257	$ 2,827	$	$ 433,084
Liabilities				
Accrued liabilities	$	$ (3,828)	$	$ (3,828)
Other non-current liabilities		(919)		(919)
Total liabilities at fair value	$	$ (4,747)	$	$ (4,747)

	December 31, 2010			
	Quoted Market Prices In Active Markets (Level 1)	Internal Models With Significant Observable Market Parameters (Level 2) [1]	Internal Models With Significant Unobservable Market Parameters (Level 3)	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) 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.

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 internally-developed models that use readily observable market parameters (quoted market prices for similar assets and liabilities in active markets) as their basis. Our valuation technique for level 2 classifications utilizes 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 March 31, 2011 or December 31, 2010.

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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 March 31, 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 and Other Disclosures

We are exposed to counterparty credit risk associated with non-performance on our hedging instruments and our risk is limited to total unrealized gains on current outstanding positions. The fair value of our derivatives reflects this credit risk. To help mitigate this risk, we transact only with counterparties that are rated as investment grade or higher and monitor all such counterparties on a continuous basis.

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

	Asset Derivatives			**Liability Derivatives**		
		Fair Value			**Fair Value**	
Derivatives designated as cash flow hedges	**Balance Sheet Classification**	**March 31, 2011**	**December 31, 2010**	**Balance Sheet Classification**	**March 31, 2011**	**December 31, 2010**
Interest rate	Other current and non-current assets	$	$	Accrued and other non-current liabilities	$ (3,525)	$ (4,248)
Foreign currency	Other current and non-current assets	2,111	1,425	Accrued and other non-current liabilities	(393)	(631)
		$ 2,111	$ 1,425		$ (3,918)	$ (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	716	576	Accrued and other non-current liabilities	(829)	(650)
		$ 716	$ 576		$ (829)	$ (650)
Total fair value		$ 2,827	$ 2,001		$ (4,747)	$ (5,529)

The following table presents the total fair value included within AOCI for derivatives designated as cash flow hedges as of March 31, 2011 and December 31, 2010, and the total value reclassified from AOCI to interest expense and cost of revenue, by underlying risk, during the three-month periods ended March 31, 2011 and 2010:

Amount of Gain (Loss) on Effective Derivative Portion Recognized in AOCI

Derivatives designated as cash flow hedges	March 31, 2011	December 31, 2010	Reclassified from AOCI into Earnings Three Months Ended March 31, 2011	2010
Interest rate	$ (3,525)	$ (4,248)	$ (802)	$ (1,219)
Foreign currency	1,903	995	58	127
Total	$ (1,622) [1]	$ (3,253)	$ (744)	$ (1,092)

[1] Of this amount, $1,023 of unrealized loss is expected to be reclassified into earnings during the next 12 months due to settlement of the associated underlying obligations.

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The following table presents the total value recognized in interest expense and cost of revenue for the three-month periods ended March 31, 2011 and 2010 for derivatives not designated as cash flow hedges, by underlying risk:

Derivatives not designated as cash flow hedges	Amount of Gain (Loss) Recognized in Earnings Three Months Ended March 31, 2011	2010
Interest rate	$	$
Foreign currency	(55)	143
Total	$ (55)	$ 143

5. RETIREMENT BENEFITS

In our 2010 Annual Report on Form 10-K, we 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 March 31, 2011:

	Defined Benefit Plans	Other Postretirement Plans
Contributions made through March 31, 2011	$ 9,150	$ 816
Remaining contributions expected for 2011	7,965	3,239
Total contributions expected for 2011	$ 17,115	$ 4,055

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-month periods ended March 31, 2011 and 2010:

	Three Months Ended March 31, 2011	2010
Pension Plans		
Service cost	$ 995	$ 841
Interest cost	7,254	6,932
Expected return on plan assets	(6,474)	(5,957)
Amortization of prior service (credits) costs	(121)	25
Recognized net actuarial loss	288	338
Net periodic benefit cost	$ 1,942	$ 2,179
Other Postretirement Plans		
Service cost	$ 260	$ 273

Interest cost		724		747
Expected return on plan assets				
Amortization of prior service credits		(67)		(67)
Recognized net actuarial gain		(94)		(92)
Net periodic benefit cost	$	823	$	861

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6. 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:

	Three Months Ended March 31,	
	2011	2010
Revenue		
CB&I Steel Plate Structures	$ 368,708	$ 334,908
CB&I Lummus	464,570	466,102
Lummus Technology	120,993	68,314
Total revenue	$ 954,271	$ 869,324
Income From Operations		
CB&I Steel Plate Structures	$ 36,924	$ 32,093
CB&I Lummus	15,015	19,288
Lummus Technology	23,064	17,140
Total income from operations	$ 75,003	$ 68,521

7. 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 March 31, 2011, we have been named a defendant in lawsuits alleging exposure to asbestos involving approximately 5,000 plaintiffs and, of those claims, approximately 1,400 claims were pending and 3,600 have been closed through dismissals or settlements. Through March 31, 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 March 31, 2011, we had accrued approximately $1,800 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.

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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 EPC 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 first quarter 2011 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. LNG investment also continues, with liquefaction projects increasing in comparison to regasification projects in certain geographies. 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 first quarter 2011, new awards, representing the value of new project commitments received during a given period, were $1.0 billion, compared with $560.2 million for the comparable 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. Our first quarter 2011 and 2010 new awards were distributed among our business sectors as follows: