

Meeting the Needs of the EPC Marketplace Worldwide

World Energy interviews Philip Asherman, president and CEO of CB&I

CB&I is one of the world's leading engineering, procurement and construction (EPC) companies, specializing in lump-sum turnkey projects for customers that produce, process, store and distribute the world's natural resources. CB&I is a fully integrated EPC service provider, offering a complete package of conceptual design, engineering, procurement, fabrication, field construction, mechanical installation and commissioning.



CB&I serves customers in a number of key industries including oil and gas; petrochemical and chemical; power; water and wastewater; and metals and mining. Its projects include hydrocarbon processing plants, liquefied natural gas terminals, offshore structures, water storage and treatment facilities, and other steel structures and their associated systems. CB&I has approximately 11,000 employees and operates from more than 60 locations worldwide.

World Energy: CB&I has gone through some changes over the past few years. Can you update us on how these changes will impact your business going forward?

Asherman: I'm glad you asked that question. To understand the business of today's CB&I, it is important to look back over the past few years. Starting in 2000, we made key acquisitions in targeted areas. As a result of these acquisitions, plus our organic growth and our ability to integrate these businesses with our legacy capabilities, we have made tremendous strides.

Today's CB&I is a specialty EPC company that sells a focused range of projects into a limited group of industries – those that produce, process, store and distribute the world's natural resources. Because we are fully integrated, we provide complete projects rather than a series of independent services to our customers. Because we are focused on a limited group of industries, we have been able to attain the experience, resources and expertise in these industries to become a leader.

World Energy: As the company's new president and CEO, do you have any plans to change the company's strategic direction?

Asherman: Our strategy has been well thought out, and our attention is focused on its implementation. We will continue to create shareholder value through a combination of organic growth and carefully selected acquisitions that complement our core capabilities. We have a culture that supports this strategy and the talent pool necessary to maximize full value from its implementation.

World Energy: Tell us more about your company's strategy. How does CB&I differ from your competitors?

Asherman: Our culture instills a drive toward operating efficiently, controlling risk and capitalizing on new and emerging markets where we can bring value to our customers. For this reason, we are very comfortable with lump-sum turnkey as our

preferred method of selling projects. Through our expertise and project controls, we understand, manage and mitigate the risk on large, complex projects.

We often say that we are focused, competitive and local, with results second to none. To us, being focused means that we provide specific projects to selected industries, instead of trying to be all things to all people. In this way, we have developed the expertise to be able to add value to our customers' projects. We recognize the importance of being competitive, and we know of no better way of demonstrating that awareness than providing our customers with cost-effective solutions to help them remain competitive in their markets. We understand the importance of being local. We have the global resources and the local presence to deliver projects virtually anywhere, and we direct hire and train local labor whenever possible. Our "results second to none" philosophy signifies our commitment to get the job done right – safely, on time and on budget.

World Energy: How is CB&I positioned financially?

Asherman: Financially, CB&I is very strong. Our revenue growth between 2000 and 2004 was an industry-leading compounded annual growth rate of 33 percent. The company has a healthy backlog of projects, a good cash position and a solid balance sheet to carry us forward. In addition to this, the strength of the markets we serve is encouraging. We are pleased by the prospects for the future growth of the company.

World Energy: Tell us more about your markets. What is driving them?

Asherman: We have core capabilities in industries that are undergoing strong growth. Because of the increasing need for energy and energy infrastructure around the world, capital investment in the production, processing, storage and distribution segments of these markets is expected to remain high.

The industrialization activity that is occurring in China and India, for example, is driving a number of oil and gas projects in these countries and in countries that provide them with energy. China's economy alone is expected to grow at an average rate of 6 percent per year through 2025. The economic growth during this timeframe will continue to create a need for more energy to support developing business operations throughout the country.

Other drivers of our markets include worldwide clean fuels regulations that continue to require more stringent reductions in emissions around the world, the growing need for refineries to be able to process heavier crudes and the development of unconventional energy sources worldwide. Unconventional energy sources include oil sands recovery projects as well as natural gas processes, such as gas-to-liquids and liquefied natural gas. We believe these markets will continue to be strong and will continue to provide opportunities for CB&I.

World Energy: Can you tell us a little about your own background?

Asherman: Certainly. I've worked in the engineering and construction industry for more than 26 years, and I've held positions in operations, sales and marketing. I've served clients in the oil and gas, industrial and manufacturing, chemical and petrochemical, and pharmaceutical and mining industries in the Middle East, Asia, Africa, Europe, North America and South America. I joined CB&I in 2001 and, prior to my current role, held the position of executive vice president and chief marketing officer. I have an undergraduate degree from the University of South Florida and an M.A. from Tufts University.

World Energy: What do you see in the year ahead? What will be your priorities during your first year at the helm?

Asherman: When I look at CB&I, I see 11,000 talented people with unique skills, working in a culture that has developed from the combination of several great firms. We've been extremely fortunate to have captured the best of the best through our acquisitions, blending company cultures and skills to create an organization that is unrivaled in our industry. What impresses me most is that no one culture has

dominated another. Employees from every function and region have been willing to listen to new ideas and learn more efficient ways to do their jobs. This is a testament to the strength of our people and a critical success factor for the future.

When I look at our clients, I realize again how fortunate we are to have been able to develop robust and enduring relationships with them. Knowing that our clients will be launching many major projects in the months and years ahead and need EPC companies with the resources and expertise to execute these projects, we are focused on meeting this need. We will continue to look for ways to improve our processes so that we can operate even more efficiently in the future than we have in the past. Over the next several months, we plan to roll up our sleeves alongside our clients, as together we find the best way to meet the evolving needs of the marketplace.

World Energy: Any final thoughts?

Asherman: CB&I has a great history and, as I see it, an even greater future. I've talked about our employee talent, our financial condition and our client relationships, all of which are strong today. I've discussed our strategy and our lump-sum turnkey business model that I believe is among the best in the EPC industry. When you add in the current strength of the markets we serve, you can see why the prospects for CB&I are so promising. I believe we are well positioned to meet the challenges ahead. Indeed, the future looks bright for CB&I.



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please contact CB&I at
+1 832 513 1000 or
www.CBI.com**

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