CHICAGO BRIDGE & IRON CO N V
Form S-3/A
June 03, 2002

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As filed with the Securities and Exchange Commission on May 31, 2002

Registration No. 333-86960

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to
Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Chicago Bridge & Iron Company N.V.

(Exact name of Registrant as Specified in Its Charter)

The Netherlands	**Not Applicable**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

Polarisavenue 31
2132 JH Hoofddorp
The Netherlands
31-23-5685660
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Robert H. Wolfe, Esq.
Secretary
Chicago Bridge & Iron Company
1501 North Division Street
Plainfield, Illinois 60544
(815) 439-6000
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

James M. Reum, Esq. **Winston & Strawn** **35 West Wacker Drive** **Chicago, Illinois 60601**	**Christopher D. Lueking, Esq.** **Latham & Watkins** **233 South Wacker Drive** **Chicago, Illinois 60606**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(3)
Common Stock, Euro 0.01 par value per share	3,105,000 shares	$30.225	$93,848,625	$8,634

(1) Includes 405,000 shares to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the registration fee, based upon the average high and low prices of the common stock on The New York Stock Exchange on April 22, 2002, in accordance with Rule 457(c) under the Securities Act of 1933.
(3) $8,314 of this fee was previously paid on April 24, 2002.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE , 2002

2,700,000 Shares

Chicago Bridge & Iron Company N.V.

Common Stock, Euro .01 Par Value Per Share

We are selling 600,000 shares of common stock and the selling shareholders are selling 2,100,000 shares of common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling shareholders.

Our common stock is listed on The New York Stock Exchange under the symbol CBI . The last reported sale price of our common stock on May 30, 2002 was $30.08 per share.

The underwriters have an option to purchase a maximum of 405,000 additional shares from us to cover over-allotments of shares.

Investing in our common stock involves risks. See Risk Factors on page 7.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to CB&I	Proceeds to the Selling Shareholders
Per Share	$	$	$	$
Total	$	$	$	$

Delivery of the shares of common stock will be made on or about , 2002.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Bear, Stearns & Co. Inc.

Lehman Brothers

The date of this prospectus is June , 2002.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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PROSPECTUS SUMMARY

This summary highlights important information regarding our business and the terms of this offering. Because this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus carefully, including the information under Risk Factors and the consolidated financial statements and the related notes included elsewhere in this prospectus before making an investment decision. Unless the context requires otherwise, references to we, us, our, the Company or CB&I refer collectively to Chicago Bridge & Iron Company N.V. and its subsidiaries, and references to CB&I N.V. refer to the parent company Chicago Bridge & Iron Company N.V. only. Unless otherwise stated, the information contained in this prospectus assumes that the underwriters do not exercise their over-allotment option.

Our Company

We are a global specialty engineering and construction (E&C) company serving the hydrocarbon, energy, power generation, and water and wastewater treatment industries. We have been helping our customers store and process the earth s natural resources for more than 100 years by supplying a comprehensive range of engineered steel structures and systems. We offer a complete package of design, engineering, fabrication, construction and maintenance services. Our products include hydrocarbon processing plants, liquefied natural gas (LNG) terminals and peak shaving plants, bulk liquid terminals, water storage and treatment facilities, and other steel structures and their associated systems. During 2001, we worked on over 900 contracts for customers in a variety of industries. Over the last several years, our customers have included:

- large U.S., multinational and state-owned oil companies, such as Shell, ExxonMobil, Koch Industries, BP, Conoco, Saudi Aramco and PDVSA;
- leading engineer/procure/construct (EPC) companies, such as Fluor, Bechtel, Foster Wheeler, Kellogg Brown & Root, and Technip-Coflexip;
- LNG and natural gas producers and distributors, such as Williams Energy Services, Distrigas and Woodside Energy;
- power generators, such as AES, Conectiv and Constellation Power; and
- municipal and private water companies.

We believe that our comprehensive global E&C capabilities and our broad range of products and services position us to capitalize on the expected growth in our primary end markets. Our acquisitions of Howe-Baker International, L.L.C. (Howe-Baker) and the Engineered Construction and Water Divisions of Pitt-Des Moines, Inc. (the PDM Divisions) have significantly enhanced our product and service offerings. We expect to generate new business by leveraging Howe-Baker s advanced hydrocarbon processing engineering and technical capabilities across our worldwide marketing and execution platform.

We had revenues of approximately $1.1 billion and adjusted EBITDA of approximately $89.2 million in 2001. Our backlog was $997 million at March 31, 2002. We employed more than 7,200 persons worldwide as of December 31, 2001.

Competitive Strengths

We believe that our core competencies enable us to deliver to our customers the best overall combination of experience, reliability, quality and performance which produces a lower-risk, higher value equation for our customers. These core competencies, which we believe are significant competitive strengths, include:

- *Worldwide Record of Excellence.* We have established a record as a leader in the international engineering and construction industry by providing consistently superior project performance for more than 112 years.

Fully-Integrated Specialty Engineering & Construction Service Provider. We are one of a very few global E&C service providers that can deliver a project from conception to commissioning, including conceptual design, detail engineering, procurement, fabrication, field erection, mechanical installation, start-up assistance and operator training.

Global Execution Capabilities. With a global network of some 35 sales and operations offices and established labor and supplier relationships, we have the ability to rapidly mobilize people, materials and equipment to execute projects in locations ranging from highly industrialized countries to some of the world s most remote regions.

History of Innovation. We have established a reputation for product innovation and our acquisition of Howe-Baker has equipped us with well-established technology and proprietary know-how in refinery processes, desalting/dehydration, synthesis gas production and gas-to-liquids processing.

Strong Focus on Project Risk Management. We are experienced in managing the risk associated with bidding on and executing complex projects and projects to be performed on a fixed-price, lump-sum basis, which has historically allowed us to achieve higher margins than those obtainable from cost-plus contracts.

Strong Safety Performance. Because of our long and outstanding safety record, we are sometimes invited to bid on projects for which other competitors do not qualify.

Management Team with Deep Engineering & Construction Industry Experience. Members of our senior leadership team have an average of more than 20 years of experience in the E&C industry.

Growth Strategy

We intend to increase shareholder value through the execution of the following growth strategies:

Leveraging the Strengths of Howe-Baker and the PDM Divisions. Our acquisitions of Howe-Baker and the PDM Divisions have broadened our capabilities and resources to meet customer needs in our end markets, and we intend to focus on imparting best practices and technologies from each business throughout the organization.

Expanding our Market Share in the High-Growth Energy Infrastructure Business. We intend to utilize our substantial expertise and experience in LNG and cryogenic systems to expand our presence in the worldwide sales of LNG infrastructure facilities.

Marketing our Expanded Capabilities. We will continue to expand our marketing programs to identify and capitalize on attractive customer bases and end markets, focusing in particular on LNG projects and EPC opportunities utilizing the combined CB&I and Howe-Baker resources.

Continuing to Improve Project Execution and Cost Control. We intend to maintain and enhance our successful track record in project execution and to identify and control non-project expenses and capital expenditures.

Creating Growth from Acquisitions and Other Business Combinations. We will continue to pursue growth through selective acquisitions of businesses or assets that will expand or complement our current portfolio of products and services.

Our Address

Our principal executive office is located at Polarisavenue 31, 2132 JH Hoofddorp, The Netherlands and our telephone number at that address is 31-23-5685660. Our administrative offices are located at 10200 Grogan s Mill Road, Suite 300, The Woodlands, Texas 77380 and our telephone number at that address is (281) 774-2200. Our Internet address is http://www.chicagobridge.com. The contents of our website are not part of this prospectus.

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The Offering

Common stock offered:	
By us	600,000 shares(1)
By the selling shareholders	2,100,000 shares
Total	2,700,000 shares(1)
Total common stock outstanding after the offering	21,654,371 shares(1)(2)
Use of proceeds	We will receive proceeds of approximately $ million (approximately $ million if the underwriters over-allotment option is fully exercised), which are net of underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use these proceeds for general corporate purposes. We will not receive any of the proceeds from the shares sold by the selling shareholders.
NYSE symbol	CBI

(1) Assumes the underwriters do not exercise their over-allotment option. If the over-allotment option is exercised in full, we will sell an additional 405,000 shares.

(2) The number of shares of common stock outstanding after this offering is based on the number of shares outstanding as of April 2, 2002 and excludes 3,928,006 shares reserved for issuance under our employee compensation and stock plans, of which options to purchase 2,262,623 shares at a weighted-average exercise price of $18.49 are currently outstanding. If the underwriters over-allotment option is exercised in full, there will be 22,059,371 shares outstanding after the offering.

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Summary Consolidated Financial Data

We derived the following summary financial and operating data for the five years ended December 31, 1997 through 2001 from our audited consolidated financial statements. The financial data for the three months ended March 31, 2002 and 2001 have been derived from our unaudited consolidated financial statements, which were prepared on the same basis as our audited financial statements and include, in our opinion, all adjustments necessary to present fairly the information presented for the interim periods. You should read this information together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the related notes, appearing elsewhere or incorporated by reference into this prospectus.

	Three Months Ended March 31,		Year Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
	(In thousands, except per share data)						
INCOME STATEMENT DATA							
Revenues	$259,272	$235,368	$1,081,824	$611,691	$674,386	$775,692	$672,811
Cost of revenues	224,182	207,073	945,048	542,721	596,695	703,351	609,164
Gross profit	35,090	28,295	136,776	68,970	77,691	72,341	63,647
Selling and administrative expenses	17,907	15,868	67,519	41,913	48,997	46,471	44,500
Intangibles amortization	626	1,189	5,819	599	514	500	497
Other operating income, net(1)	(419)	(259)	(691)	(2,401)	(2,788)	(991)	(4,807)
Special charges(2)	1,159	772	9,686	55,664			16,662
Income (loss) from operations	15,817	10,725	54,443	(26,805)	30,968	26,361	6,795
Interest expense	(1,813)	(2,360)	(8,392)	(5,187)	(2,980)	(3,488)	(3,892)
Interest income	346	503	1,854	430	766	1,616	1,416
Income (loss) before taxes and minority interest	14,350	8,868	47,905	(31,562)	28,754	24,489	4,319
Income tax (expense) benefit	(4,018)	(2,533)	(13,480)	4,859	(8,061)	(7,347)	730
Income (loss) before minority interest	10,332	6,335	34,425	(26,703)	20,693	17,142	5,049
Minority interest in (income) loss	(74)	(930)	(2,503)	(1,341)	(1,171)	(105)	354
Income (loss) from continuing operations	10,258	5,405	31,922	(28,044)	19,522	17,037	5,403
Discontinued operations(3):							
Loss from discontinued operations, net of taxes		(1,939)	(2,321)	(5,731)	(1,138)		
Loss on disposal of discontinued operations, net of taxes			(9,898)				
Net income (loss)	$ 10,258	$ 3,466	$ 19,703	$ (33,775)	$ 18,384	$ 17,037	$ 5,403
PER SHARE DATA(2)(4)							
Net income (loss) basic	$ 0.49	$ 0.25	$ 1.48	$ (2.98)	$ 1.77	$ 1.41	$ 0.43

Income (loss) from continuing operations							
Loss from discontinued operations		(0.09)	(0.57)	(0.61)	(0.10)		
Net income (loss)	$ 0.49	$ 0.16	$ 0.91	$ (3.59)	$ 1.67	$ 1.41	$ 0.43
Net income (loss) diluted							
Income (loss) from continuing operations	$ 0.47	$ 0.25	$ 1.43	$ (2.98)	$ 1.75	$ 1.40	$ 0.43
Loss from discontinued operations		(0.09)	(0.55)	(0.61)	(0.10)		
Net income (loss)	$ 0.47	$ 0.16	$ 0.88	$ (3.59)	$ 1.65	$ 1.40	$ 0.43
Dividends	$ 0.06	$ 0.06	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.18

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	Three Months Ended March 31,		Year Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
			(In thousands, except per share data)				
BALANCE SHEET DATA							
Cash and cash equivalents	$ 39,540	$ 9,128	$ 50,478	$ 7,451	$ 18,357	$ 5,636	$ 10,240
Goodwill	146,934	138,879	136,845	132,426	18,010	18,051	18,539
Total assets	634,038	650,516	648,265	538,415	336,773	348,709	400,650
Long-term debt	75,000	105,500	75,000	101,800	25,000	5,000	44,000
Total shareholders equity	221,494	211,323	212,223	155,747	104,410	101,656	103,826
Contract capital(5)	51,672	97,653	43,232	61,286	71,148	76,969	95,243
CASH FLOW DATA							
Cash flows from operating activities	$ (5,518)	$ (3,688)	$ 105,796	$ 4,085	$ 22,461	$ 50,824	$ 40,407
Cash flows from investing activities	(4,988)	(12,060)	(35,775)	(65,567)	(8,911)	(2,142)	(21,907)
Cash flows from financing activities	(432)	17,389	(27,034)	50,618	(779)	(53,286)	(20,124)
OTHER FINANCIAL DATA							
Gross profit percentage	13.5%	12.0%	12.6%	11.3%	11.5%	9.3%	9.5%
New business taken(6)	$424,241	$308,729	$1,160,374	$680,776	$712,973	$760,989	$757,985
Backlog(6)	996,670	840,758	835,255	597,350	507,472	507,783	554,982
Capital expenditures	2,678	1,840	8,917	6,353	13,379	12,249	34,955
Income (loss) from operations	$ 15,817	$ 10,725	$ 54,443	$ (26,805)	$ 30,968	$ 26,361	$ 6,795
Special charges	1,159	772	9,686	55,664			16,662
Depreciation and amortization	4,862	5,911	25,105	16,838	17,698	17,722	16,923
Adjusted EBITDA(7)	$ 21,838	$ 17,408	$ 89,234	$ 45,697	$ 48,666	$ 44,083	$ 40,380

(1) Other operating income, net generally represents gains on the sale of property, plant and equipment. 1997 was favorably impacted by non-recurring income of approximately $4.0 million from the recognition of income related to a favorable appeals court decision and the resolution of disputed liabilities. In addition, 1997 includes a $1.6 million gain from the sale of assets, primarily from the sale of the Cordova, Alabama, manufacturing facility.

(2) For the three months ended March 31, 2002 and 2001.

Included in the 2002 special charges were $0.9 million for personnel costs, including severance and personal moving expenses associated with the relocation, closure or downsizing of offices, and our voluntary resignation offer; $0.2 million for facilities and other charges related to the sale, closure, downsizing or relocation of operations; and $0.1 million for integration costs primarily related to integration initiatives associated with the PDM Divisions acquisition. Included in the 2001 special charges were $0.1 million for severance; $0.4 million in facilities and other charges related to the sale, closure, downsizing or relocation of operations; and $0.3 million for integration costs primarily related to integration initiatives associated with the Howe-Baker and PDM divisions acquisitions.

For the years ended December 31, 2001 and 2000.

In 2001, we recognized special charges of $9.7 million ($6.6 million after-tax). Included in the 2001 special charges were $5.7 million for personnel costs, including severance and personal moving expenses associated with the relocation, closure or downsizing of offices, and our voluntary resignation offer; $2.8 million for facilities and other charges related to the sale, closure, downsizing or relocation of operations; and $1.2 million for integration costs primarily related to integration initiatives associated with the PDM Divisions acquisition. In 2000, we recognized special charges of $55.7 million ($44.1 million after-tax). Included in the 2000 special charges were $22.2 million for payments associated with our voluntary resignation offer, severance and other benefits-related costs; $5.3 million in facilities-related expenses and a

$28.2 million non-cash valuation allowance against a net long-term receivable for the Indonesian Tuban (T.P.P.I.) Project.

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In 1997, upon consummation of our initial public offering, we made a contribution to the Chicago Bridge & Iron Management Defined Contribution Plan (the Management Plan) in the form of 925,670 shares having a value of $16.7 million. Accordingly, we recorded expense of $16.7 million in 1997. Except as described in Note 14 to our consolidated financial statements for the years ended December 31, 2001 and 2000 included elsewhere in this prospectus, all shares have vested and been distributed.

(3) During the second quarter of 2001, we decided to discontinue our high purity piping business, UltraPure Systems, due primarily to continuing weak market conditions in the microelectronics industry. The loss on disposal of discontinued operations of $9.9 million after-tax includes the write-down of equipment (net of proceeds), lease terminations, severance and other costs, and losses during the phase-out period. As a result of this operation being classified as discontinued, prior periods have been previously restated. Our actions necessary to discontinue UltraPure Systems were essentially complete at December 31, 2001.

(4) A reorganization was completed in March 1997 and did not materially affect the carrying amounts of our assets and liabilities. The reorganization is reflected in our financial statements as of January 1, 1997. Also in March 1997, we completed an initial public offering.

(5) Contract capital is defined as contract receivables plus net contracts in progress less accounts payable.

(6) New business taken represents the value of new project commitments received by us during a given period. Such commitments are included in backlog until work is performed and revenue recognized or until cancellation. Backlog may also fluctuate with currency movements.

(7) Adjusted EBITDA is defined as income (loss) from operations plus special charges, plus depreciation and amortization expenses. Because we believe that the nature of our special charges are infrequent or unusual, special charges (including the cash portion of the special charge) have been excluded from Adjusted EBITDA. Cash payments relating to special charges were $2,589 and $8,323 for the three months ended March 31, 2002 and 2001, respectively, and $14,785 and $7,069 for the years ended December 31, 2001 and 2000, respectively. Additionally, EBITDA may not be comparable to other similarly titled measures used and reported by other companies. While EBITDA should not be construed as a substitute for operating income (loss) or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with United States generally accepted accounting principles, it is included herein to provide additional information regarding our ability to meet our capital expenditures, working capital requirements and any future debt service. EBITDA is not necessarily a measure of our ability to fund our cash needs, particularly because it does not include capital expenditures or the cash portion of special charges. See Management s Discussion and Analysis of Financial Condition and Results of Operations elsewhere herein.

RISK FACTORS

You should carefully consider the following risks and uncertainties and all other information contained in this prospectus, including the documents incorporated by reference, before you decide whether to purchase our common stock. Any of the following risks, if they materialize, could adversely affect our business, financial condition or operating results. As a result, the trading price of our common stock could decline, and you could lose all or part of your investment.

Risk Factors Relating to Our Business

Our Revenues, Cash Flow and Earnings May Fluctuate.

Our revenues, cash flow and earnings may fluctuate from quarter to quarter due to a number of factors. Our revenues, cash flow and earnings are dependent upon major construction projects in cyclical industries, including the hydrocarbon, chemical, electric and gas utility, and water and wastewater industries. The selection of, timing of or failure to obtain projects, delays in awards of projects, cancellations of projects or delays in completion of contracts could result in the under-utilization of our resources which could have a material adverse impact on our business, financial condition, results of operations and cash flows. Moreover, construction projects for which our services are contracted may require significant expenditures by us prior to receipt of relevant payments by a customer and may expose us to potential credit risk if such customer should encounter financial difficulties. Such expenditures could have a material adverse impact on our cash flows. Finally, revenues may be negatively affected by the winding down or completion of work on significant projects that were active in previous periods if such significant projects have not been replaced in the current period.

We May Not be Able to Fully Realize the Revenue Value Reported in Our Backlog.

We have a backlog of work to be completed on contracts. Backlog develops as a result of new business taken, which represents the revenue value of new project commitments received by us during a given period. Backlog consists of projects which have either (i) not yet been started or (ii) are in progress and are not yet complete. In the latter case, the revenue value reported in backlog is the remaining amount that has not yet been completed. From time to time, projects are cancelled that appeared to have a high certainty of going forward at the time they were recorded as new business taken. In the event of a project cancellation, we may be reimbursed for certain costs but typically have no contractual right to the total revenues reflected in our backlog. If we were to experience significant cancellations or delays of projects in our backlog, our financial condition would be adversely affected. Backlog may also fluctuate with currency movements.

Our Business is Dependent Upon the Level of Activity in the Hydrocarbon Industry.

In recent years, demand from the worldwide hydrocarbon industry has been the largest generator of our revenues. Numerous factors influence capital expenditure decisions in the hydrocarbon industry, including current and projected oil and gas prices; exploration, extraction, production and transportation costs; the discovery rate of new oil and gas reserves; the sale and expiration dates of leases and concessions; local and international political and economic conditions; technological advances; and the ability of oil and gas companies to generate capital. These factors are beyond our control. Our business, financial condition and results of operations may be materially adversely affected because of reduced activity in the hydrocarbon industry. In addition, we may be materially adversely affected by changing taxes, price controls and laws and regulations relating to the hydrocarbon industry.

We Could Lose Money if We Fail to Accurately Estimate Our Costs or Fail to Execute Within Our Cost Estimates on Fixed-Price, Lump Sum Contracts.

Most of our net revenue is derived from fixed-price, lump-sum contracts. Under these contracts, we perform our services and provide our products at a fixed price and, as a result, benefit from cost savings, but we may be unable to recover for any cost overruns. If our cost estimates for a contract are inaccurate,

or if we do not execute the contract within our cost estimates, cost overruns may cause us to incur losses or cause the project not to be as profitable as we expected. This, in turn, could have a material adverse effect on our business and results of operations.

Under our percentage-of-completion accounting method, the use of estimated cost to complete each contract is a significant variable in the process of determining income earned for a particular period. See Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies.

Political and Economic Conditions in Foreign Countries in Which We Operate Could Adversely Affect Us.

A significant number of our projects are performed outside the United States. We expect non-U.S. sales and operations to continue to contribute materially to our earnings for the foreseeable future. Non-U.S. contracts and operations expose us to risks inherent in doing business outside the United States, including:

- unstable economic conditions in the foreign countries in which we make capital investments, operate and sell products and services;
- the lack of well-developed legal systems in some countries in which we operate, which could make it difficult for us to enforce our contracts;
- expropriation of property;
- restriction on the right to convert or repatriate currency; and
- political upheaval, including risks of loss due to civil strife, acts of war, guerrilla activities, insurrections and acts of terrorism.

For example, we have significant operations in Venezuela, a country which is currently experiencing political instability.

We Are Exposed to Foreign Exchange Risks.

We are exposed to market risk from changes in foreign currency exchange rates, which may adversely affect our results of operations and financial condition. We seek to minimize the risks from these foreign currency exchange rate fluctuations through our regular operating and financing activities and, when deemed appropriate, through limited use of foreign currency forward contracts. Our exposure to changes in foreign currency exchange rates arises from receivables, payables and firm commitments from international transactions, as well as intercompany loans used to finance non-U.S. subsidiaries. We do not use financial instruments for trading or speculative purposes.

Our Acquisition Strategy Involves a Number of Risks.

We intend to pursue growth through the opportunistic acquisition of companies or assets that will enable us to expand our product lines to provide more cost-effective customer solutions. We routinely review potential acquisitions. This strategy involves certain risks, including difficulties in the integration of operations and systems, the diversion of management s attention from other business concerns, and the potential loss of key employees of acquired companies. We may not be able to successfully integrate acquired businesses into our operations.

We Have a Risk that Our Goodwill May be Impaired and Result in a Charge to Income.

We accounted for the Howe-Baker and PDM Divisions acquisitions using the purchase method of accounting. Under the purchase method we recorded, at fair value, the assets acquired and liabilities assumed and we recorded as goodwill the difference between the cost of acquisition and the sum of the fair value of the tangible and identifiable assets acquired, less liabilities assumed. In June 2001, the

Financial Accounting Standards Board issued Statements of Financial Accounting Standards (SFAS) No. 141 Business Combinations and SFAS No. 142 Goodwill and Other Intangible Assets. These pronouncements change the accounting for business combinations, goodwill and intangible assets. SFAS No. 141 further clarifies the criteria to recognize intangible assets separately from goodwill. SFAS No. 142 states that goodwill and indefinite lived intangible assets are no longer amortized but are reviewed for impairment at least annually. We adopted these new standards effective as of January 1, 2002. In connection with the adoption of SFAS No. 142, during the first quarter of 2002, we completed our goodwill impairment assessment and concluded that no transitional impairment charge was necessary. In the future, if our goodwill or other intangible assets were determined to be impaired, the impairment would result in a charge to income from operations in the year of the impairment with a resulting decrease in net worth.

If We Are Unable to Retain Key Personnel, Our Business Could be Adversely Affected.

Our business is dependent, to a large degree, upon the continued service of key members of our management. Our future success will also depend on our ability to attract, retain and motivate highly skilled personnel in various areas, including engineering, project management and senior management. If we do not succeed in retaining and motivating our current employees and attracting new high quality employees, our business could be adversely affected.

Our Projects Expose Us to Potential Professional Liability, Product Liability, or Warranty or Other Claims.

We engineer and construct (and our products typically are installed in) large industrial facilities in which system failure can be disastrous. Notwithstanding the fact that we generally will not accept liability for consequential damages in our contracts, any catastrophic occurrence in excess of insurance limits at projects where our products are installed or services are performed could result in significant professional liability, product liability or warranty or other claims against us. Such liabilities could potentially exceed our current insurance coverage and the fees we derive from those products and services. A partially or completely uninsured claim, if successful and of a significant magnitude, could potentially result in substantial losses.

We Are Exposed to Potential Environmental Liabilities.

We are subject to environmental laws and regulations, including those concerning:

- emissions into the air;
- discharge into waterways;
- generation, storage, handling, treatment and disposal of waste materials; and
- health and safety.

Our businesses often involve working around and with volatile, toxic and hazardous substances and other highly regulated materials, the improper characterization, handling or disposal of which could constitute violations of foreign, federal, state or local statutes and laws, and result in criminal and civil liabilities. Environmental laws and regulations generally impose limitations and standards for certain pollutants or waste materials and require us to obtain a permit and comply with various other requirements. Governmental authorities may seek to impose fines and penalties on us, or revoke or deny issuance or renewal of operating permits, for failure to comply with applicable laws and regulations.

The environmental health and safety laws and regulations to which we are subject are constantly changing, and it is impossible to predict the effect of such laws and regulations on us in the future. We cannot assure that our operations will continue to comply with future laws and regulations or that these laws and regulations will not significantly adversely affect us.

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We work around and with volatile, toxic and hazardous substances, which exposes us to potential liability for personal injury or property damage caused by any release, spill or other accident involving such substances that occurs as a result of the conduct of such businesses. Although we maintain liability insurance, this insurance is subject to coverage limitations, deductibles and exclusions and may exclude coverage for losses or liabilities relating to pollution damage. We may incur liabilities that may not be covered by insurance policies, or, if covered, the dollar amount of such liabilities may exceed our policy limits. Even a partially uninsured claim, if successful and of significant magnitude, could have a material adverse effect on our business, financial condition and results of operations.

We Are Uncertain as to the Outcome of a Pending Federal Trade Commission Proceeding.

On October 25, 2001, the U.S. Federal Trade Commission (FTC) announced its decision to file an administrative complaint (the Complaint) challenging our February 2001 acquisition of certain assets of the Engineered Construction Division of PDM. The Complaint alleges that the acquisition violated Federal antitrust laws by substantially lessening competition in certain field erected specialty industrial storage tank product lines in the United States: LNG tanks, LPG tanks, LIN/ LOX/ LAR tanks, and thermal vacuum chambers. The FTC is seeking various remedies, including an order that would require us to divest sufficient assets and personnel to re-establish two distinct and separate viable competing businesses engaged in the design, engineering, fabrication, construction and sale of the relevant product lines.

We believe that the Complaint is without merit and on February 4, 2002 filed a formal answer denying the substantive allegations of the Complaint. While we expect the impact of the FTC proceeding on our earnings will be minimal in 2002, we are unable to assess the ultimate outcome of the litigation or potential effect of any divestiture order or other remedy on our business, financial condition and results of operation.

We Are and Will Continue to be Involved in Litigation.

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 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. Such contractual disputes normally involve claims relating to the performance of equipment design or other engineering services or project construction services provided by our subsidiaries. Management does not currently believe that pending contractual, personal injury or property damage claims will have a material adverse effect on our earnings or liquidity; however, such claims could have such an effect in the future.

Our Former Principal Independent Public Accountant, Arthur Andersen LLP, Has Been Indicted and is on Trial for Federal Obstruction of Justice Charges.

On March 14, 2002, our independent public accountant, Arthur Andersen LLP, was indicted on federal obstruction of justice charges arising from the federal government s investigation of Enron Corp. Arthur Andersen LLP has pled not guilty and is currently on trial contesting the indictment. Given the uncertainty surrounding the indictment and trial, it may become difficult for you to seek remedies against Arthur Andersen LLP. Moreover, as a public company, we are required to file with the Securities and Exchange Commission (SEC) periodic financial statements audited or reviewed by an independent public accountant. The SEC has said that it will continue accepting financial statements audited by Arthur Andersen LLP so long as Arthur Andersen LLP is able to make certain representations to its clients concerning audit quality controls. Arthur Andersen LLP, which audited our 2001 financial statements, has made such representations to us. Additionally, Arthur Andersen LLP reviewed our financial statements for the first quarter of 2002.

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Effective May 10, 2002, our Supervisory Board determined to engage Deloitte & Touche as our principal independent public accountants for 2002. Arthur Andersen LLP will continue to render limited services for us through the closing date of this offering. See Independent Public Accountants .

Risk Factors Associated with Our Common Stock

Limited Trading Volume of Our Common Stock May Contribute to Its Price Volatility.

Our common stock is traded on The New York Stock Exchange (NYSE). For the first quarter of 2002, the average daily trading volume for our common stock as reported by the NYSE was approximately 39,000 shares. Even if we achieve a wider dissemination by means of the shares offered pursuant to this prospectus, we are uncertain as to whether a more active trading market in our common stock will develop. As a result, relatively small trades may have a significant impact on the price of our common stock.

Certain Provisions of Our Articles of Association, Shareholder Agreements and Netherlands Law May Have Possible Anti-Takeover Effects.

After giving effect to this offering (but without giving effect to the exercise of any options, including the over-allotment option), WEDGE Engineering B.V. (WEDGE Engineering), an affiliate of WEDGE Group Incorporated (WEDGE), will own approximately 8.6% of our outstanding common shares and First Reserve Fund VIII, L.P. (First Reserve) will own approximately 31.5% of our outstanding common shares. Both WEDGE (and its affiliates) and First Reserve (and its affiliates) are generally bound to vote, tender or otherwise act as recommended by the Supervisory Board with respect to proposed business combinations pursuant to their respective shareholder agreements. However, if the offering contemplated by this prospectus is consummated, such restrictions will no longer apply to WEDGE and its affiliates under the terms of its shareholder agreement. See Principal and Selling Shareholders Shareholder Agreements. In addition, our Articles of Association and the applicable law of The Netherlands contain provisions that may be deemed to have anti-takeover effects. Among other things, these provisions provide for a staggered board of Supervisory Directors, a binding nomination process and supermajority voting requirements in the case of shareholder approval for certain significant transactions. Such provisions may delay, defer or prevent a takeover attempt that a shareholder might consider in the best interests of our shareholders. In addition, certain United States tax laws, including those relating to possible classification as a controlled foreign corporation described below, may discourage third parties from accumulating significant blocks of our common stock.

First Reserve, In Addition to Owning a Significant Amount of Our Common Stock After the Offering, Will Continue to Be Represented on Our Supervisory Board, Thus Giving It Influence in Corporate Transactions and Other Matters; First Reserve s Interests Could Differ From Those of Other Shareholders.

As indicated above, First Reserve will own approximately 31.5% of our outstanding common shares after the offering. Although First Reserve is subject to standstill, voting and transfer restrictions in its shareholder agreement that limit its ability to control our business, policies and affairs (see Principal and Selling Shareholders Shareholder Agreements), First Reserve has two designees on our Supervisory Board who are in a position to influence decisions of our Supervisory Board affecting the business and management of our company, including decisions on such matters as the issuance or repurchase of common stock, the declaration of dividends, mergers and other business combination transactions, as well as transactions which may involve First Reserve. First Reserve and the Supervisory Directors designated by it may have interests that are different from those of our other shareholders.

If the offering contemplated by this prospectus is consummated, WEDGE will no longer be subject to the standstill, voting and transfer restrictions referred to above and will no longer be entitled to representation on the Supervisory Board (see Principal and Selling Shareholders).

Existing Shareholders May Sell Their Shares, Which Could Depress the Market Price of Our Common Stock.

Under an existing shelf registration statement, 807,356 shares held by certain unaffiliated shareholders of the Company are eligible to be resold from time to time into the public market. If these shareholders sell a large number of these shares into the market, the market price of our common stock could decline as a result.

In addition, immediately following the offering, our executive officers and directors will own 1,301,021 shares of common stock that would be eligible, following the expiration of the 90-day lock-up agreements that each of these officers and directors has executed with Credit Suisse First Boston Corporation, to be resold into the public market pursuant to Rule 144 (or, in the case of one executive officer, pursuant to a registration right) under the Securities Act of 1933. If these shareholders sell a large number of these shares, the market price of our common stock could decline.

After this offering, WEDGE Engineering will hold 1,852,764 shares of our common stock and First Reserve will own 6,810,895 shares of our common stock. Following the expiration of their 90-day lock-up agreements, WEDGE Engineering and First Reserve each have certain rights under their respective Shareholder Agreements to require us to register these shares of common stock under the Securities Act of 1933 to permit the public sale of such shares, as well as the ability to resell such shares into the public market pursuant to Rule 144. See Principal and Selling Shareholders Shareholder Agreements. Significant sales of such shares, or the prospect of such sales, may depress the price of our shares.

We Have a Risk of Being Classified as a Controlled Foreign Corporation.

As a company incorporated in The Netherlands, we would be classified as a controlled foreign corporation for United States federal income tax purposes if any United States person acquires 10% or more of our common stock (including ownership through the attribution rules of Section 958 of the Internal Revenue Code of 1986, as amended (the Code), each such person, a U.S. 10% Shareholder) and the sum of the percentage ownership by all U.S. 10% Shareholders exceeds 50% (by voting power or value) of our common stock. We do not believe we are a controlled foreign corporation. However, we may be determined to be a controlled foreign corporation in the future. In the event that such a determination were made, all U.S. 10% Shareholders would be subject to taxation under Subpart F of the Code. The ultimate consequences of this determination are fact-specific to each U.S. 10% Shareholder, but could include possible taxation of such U.S. 10% Shareholder on a pro rata portion of our income, even in the absence of any distribution of such income.

If We Need to Sell or Issue Additional Shares of Common Stock and/or Incur Additional Debt to Finance Future Acquisitions, Your Stock Ownership Could be Diluted.

Part of our business strategy is to expand into new markets and enhance our position in existing markets throughout the world through acquisition of complementary businesses. In order to successfully complete targeted acquisitions or fund our other activities, we may issue additional equity securities that could be dilutive to our earnings per share and to your stock ownership. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in additional goodwill, it will reduce our tangible net worth, which might have an adverse effect on our credit and bonding capacity.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated in this prospectus by reference contain forward-looking statements. You should read carefully any statements containing the words expect, believe, anticipate, project, estimate, predict, intend, should, could, may, expressions or the negative of any of these terms.

Forward-looking statements involve known and unknown risks and uncertainties. Various factors, such as those listed under Risk Factors, may cause our actual results, performance or achievements to be

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materially different from those expressed or implied by any forward-looking statements. Among the factors that could cause our results to differ are the following:

- our ability to realize cost savings from our expected execution performance of contracts;
- the uncertain timing and the funding of new contract awards, and project cancellations and operations risks;
- the expected growth in our primary end markets does not occur;
- cost overruns on fixed price contracts, and risks associated with percentage of completion accounting;
- lack of necessary liquidity to finance expenditures prior to the receipt of payment for the performance of contracts and to provide bid and performance bonds and letters of credit securing our obligations under our bids and contracts;
- risks inherent in our acquisition strategy and our ability to obtain financing for proposed acquisitions;
- adverse outcomes of pending litigation or the possibility of new litigation;
- proposed revisions to U.S. tax laws that seek to increase income taxes payable by certain international companies; and
- a broad downturn in the economy in general.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future performance or results. We are not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should consider these risks when reading any forward-looking statements.

USE OF PROCEEDS

We will receive proceeds of approximately $ million, at the offering price of $ per share, which are net of underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters over-allotment option is fully exercised, we will receive net proceeds of approximately $ million. We intend to use these proceeds for general corporate purposes.

We will not receive any of the proceeds from shares sold by the selling shareholders. For information about the selling shareholders, see Principal and Selling Shareholders.

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PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is listed on The New York Stock Exchange under the symbol CBI. The following table sets forth the high and low reported closing sale prices of the common stock on the NYSE Composite Tape for the stated calendar quarters.

	High	Low	Dividends Per Share
Year Ended December 31, 2000			
First Quarter	$17.00	$13.75	$0.06
Second Quarter	17.00	14.19	0.06
Third Quarter	17.06	11.63	0.06
Fourth Quarter	18.00	14.19	0.06
Year Ended December 31, 2001			
First Quarter	$27.35	$16.75	$0.06
Second Quarter	38.60	23.70	0.06
Third Quarter	34.82	19.05	0.06
Fourth Quarter	26.70	19.60	0.06
Year Ending December 31, 2002			
First Quarter	$29.84	$24.40	$0.06
Second Quarter (through May 30, 2002)	33.00	28.65	0.06

On May 30, 2002, the last selling price of the common stock as reported on the NYSE was $30.08 per share.

Pursuant to our Articles of Association, the Management Board, with the approval of the Supervisory Board, may establish reserves out of our annual profits. The portion of our annual profits that remains after the establishment of reserves is at the disposal of the general meeting of shareholders. Out of our share premium reserve and other reserves available for shareholder distributions under the law of The Netherlands, the general meeting of shareholders may declare distributions upon the proposal of the Management Board (after approval by the Supervisory Board). We may not pay dividends or distributions if the payment would reduce shareholders equity below the aggregate par value of the common shares outstanding, plus the reserves required to be maintained by statute and by our Articles of Association. Although under Dutch law dividends are generally paid annually, the Management Board, with the approval of the Supervisory Board, may, subject to certain statutory provisions, distribute one or more interim dividends or other interim distributions before the accounts for any year have been approved and adopted at a general meeting of shareholders in anticipation of the final dividend or final distribution. Rights to cash dividends and distributions that have not been collected within five years after the date on which they became due and payable shall revert to the Company.

We have declared and paid in the past, and currently intend to declare and pay, regular quarterly cash dividends or distributions; however, there can be no assurance that any such dividends or distributions will be declared or paid. The payment of dividends or distributions in the future will be subject to the discretion of our shareholders (in the case of annual dividends), the Management Board and Supervisory Board and will depend upon general business conditions, legal restrictions on the payment of dividends or distributions and other factors, including compliance with covenants in our revolving credit agreement and the agreements for our unsecured senior notes which establish minimum fixed charge coverage ratio and minimum net worth requirements that may restrict our ability to pay dividends or distributions. We cannot assure you that cash dividends or distributions will be paid in the future, or that, if paid, the dividends or distributions will be at the same amount or frequency as paid in the past.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2002 on an actual basis and on an as adjusted basis to reflect our sale of 600,000 shares of treasury stock and receipt of the estimated net proceeds therefrom. The table should be read in conjunction with our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	March 31, 2002	
	Actual	As Adjusted(1)
	(In thousands)	
Debt:		
Senior notes	$ 75,000	$ 75,000
Revolving credit agreement		
Short-term debt	5,825	5,825
Total debt	$ 80,825	$ 80,825
Shareholders equity:		
Common stock, Euro .01 par value; authorized: 35,000,000, issued: 22,282,586 and outstanding: 21,035,271, actual; issued: 22,282,586 and outstanding: 21,635,271, as adjusted(2)	$ 210	$ 210
Additional paid-in capital	241,173	248,948
Retained earnings	32,098	32,098
Stock held in Trust(3)	(13,289)	(13,289)
Treasury stock, at cost: 1,247,315 shares, actual; 647,315, as adjusted	(24,432)	(14,142)
Accumulated other comprehensive loss	(14,266)	(14,266)
Total shareholders equity	$221,494	$239,559
Total capitalization	$302,319	$320,384

(1) Reflects our sale of 600,000 shares of treasury stock at an assumed price of $30.55 per share (the closing sale price on May 28, 2002) and estimated offering expenses payable by us of $265,000. The table has not been adjusted to reflect the sale by us of up to 405,000 additional shares of treasury stock, and the receipt of net proceeds therefrom, if the underwriters over-allotment option is exercised.

(2) Excludes 4,010,311 shares of common stock reserved for issuance pursuant to our employee compensation and stock plans, including, as of December 31, 2001, outstanding options for the purchase of 1,964,660 shares.

(3) See Note 14 to our consolidated financial statements for the years ended December 31, 2001 and 2000 included elsewhere in this prospectus.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

We derived the following summary financial and operating data for the five years ended December 31, 1997 through 2001 from our audited consolidated financial statements. The financial data for the three months ended March 31, 2002 and 2001 have been derived from our unaudited consolidated financial statements which were prepared on the same basis as our audited financial statements and include, in our opinion, all adjustments necessary to present fairly the information presented for the interim periods. You should read this information together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements, including the related notes, appearing elsewhere or incorporated by reference into this prospectus.

	Three Months Ended March 31,		Years Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
			(In thousands, except share and employee data)				
INCOME STATEMENT DATA							
Revenues	$259,272	$235,368	$1,081,824	$611,691	$674,386	$775,692	$672,811
Cost of revenues	224,182	207,073	945,048	542,721	596,695	703,351	609,164
Gross profit	35,090	28,295	136,776	68,970	77,691	72,341	63,647
Selling and administrative expenses	17,907	15,868	67,519	41,913	48,997	46,471	44,500
Intangibles amortization	626	1,189	5,819	599	514	500	497
Other operating income, net(1)	(419)	(259)	(691)	(2,401)	(2,788)	(991)	(4,807)
Special charges(2)	1,159	772	9,686	55,664			16,662
Income (loss) from operations	15,817	10,725	54,443	(26,805)	30,968	26,361	6,795
Interest expense	(1,813)	(2,360)	(8,392)	(5,187)	(2,980)	(3,488)	(3,892)
Interest income	346	503	1,854	430	766	1,616	1,416
Income (loss) before taxes and minority interest	14,350	8,868	47,905	(31,562)	28,754	24,489	4,319
Income tax (expense) benefit	(4,018)	(2,533)	(13,480)	4,859	(8,061)	(7,347)	730
Income (loss) before minority interest	10,332	6,335	34,425	(26,703)	20,693	17,142	5,049
Minority interest in (income) loss	(74)	(930)	(2,503)	(1,341)	(1,171)	(105)	354
Income (loss) from continuing operations	10,258	5,405	31,922	(28,044)	19,522	17,037	5,403
Discontinued operations(3):							
Loss from discontinued operations, net of taxes		(1,939)	(2,321)	(5,731)	(1,138)		
Loss on disposal of discontinued operations, net of taxes			(9,898)				
Net income (loss)	$ 10,258	$ 3,466	$ 19,703	$ (33,775)	$ 18,384	$ 17,037	$ 5,403
PER SHARE DATA(2)(4)							

Net income (loss) basic							
Income (loss) from continuing operations	$ 0.49	$ 0.25	$ 1.48	$ (2.98)	$ 1.77	$ 1.41	$ 0.43
Loss from discontinued operations		(0.09)	(0.57)	(0.61)	(0.10)		
Net income (loss)	$ 0.49	$ 0.16	$ 0.91	$ (3.59)	$ 1.67	$ 1.41	$ 0.43
Net income (loss) diluted							
Income (loss) from continuing operations	$ 0.47	$ 0.25	$ 1.43	$ (2.98)	$ 1.75	$ 1.40	$ 0.43
Loss from discontinued operations		(0.09)	(0.55)	(0.61)	(0.10)		
Net income (loss)	$ 0.47	$ 0.16	$ 0.88	$ (3.59)	$ 1.65	$ 1.40	$ 0.43
Dividends	$ 0.06	$ 0.06	$ 0.24	$ 0.24	$ 0.24	$ 0.24	$ 0.18

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	Three Months Ended March 31,		Years Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
			(In thousands, except share and employee data)				
BALANCE SHEET DATA							
Goodwill	$146,934	$138,879	$ 136,845	$132,426	$ 18,010	$ 18,051	$ 18,539
Total assets	634,038	650,516	648,265	538,415	336,773	348,709	400,650
Long-term debt	75,000	105,500	75,000	101,800	25,000	5,000	44,000
Total shareholders equity	221,494	211,323	212,223	155,747	104,410	101,656	103,826
Contract capital(5)	51,672	97,653	43,232	61,286	71,148	76,969	95,243
CASH FLOW DATA							
Cash flows from operating activities	$ (5,518)	$ (3,688)	$ 105,796	$ 4,085	$ 22,461	$ 50,824	$ 40,407
Cash flows from investing activities	(4,988)	(12,060)	(35,775)	(65,567)	(8,911)	(2,142)	(21,907)
Cash flows from financing activities	(432)	17,389	(27,034)	50,618	(779)	(53,286)	(20,124)
OTHER FINANCIAL DATA							
Gross profit percentage	13.5%	12.0%	12.6%	11.3%	11.5%	9.3%	9.5%
Capital expenditures	$ 2,678	$ 1,840	$ 8,917	$ 6,353	$ 13,379	$ 12,249	$ 34,955
Income (loss) from operations	$ 15,817	$ 10,725	$ 54,443	$ (26,805)	$ 30,968	$ 26,361	$ 6,795
Special charges	1,159	772	9,686	55,664			16,662
Depreciation and amortization	4,862	5,911	25,105	16,838	17,698	17,722	16,923
Adjusted EBITDA(6)	$ 21,838	$ 17,408	$ 89,234	$ 45,697	$ 48,666	$ 44,083	$ 40,380
OTHER DATA							
Number of employees:							
Salaried	2,091	2,067	2,054	1,676	1,371	1,525	1,464
Hourly and craft	5,688	5,492	5,204	3,618	4,257	4,928	4,630
New business taken(7)	$424,241	$308,729	$1,160,374	$680,776	$712,973	$760,989	$757,985
Backlog(7)	996,670	840,758	835,255	597,350	507,472	507,783	554,982

(1) Other operating income, net generally represents gains on the sale of property, plant and equipment. 1997 was favorably impacted by non-recurring income of approximately $4.0 million from the recognition of income related to a favorable appeals court decision and the resolution of disputed liabilities. In addition, 1997 includes a $1.6 million gain from the sale of assets, primarily from the sale of the Cordova, Alabama, manufacturing facility.

(2) For the three months ended March 31, 2002 and 2001.
Included in the 2002 special charges were $0.9 million for personnel costs, including severance and personal moving expenses associated with the relocation, closure or downsizing of offices, and our voluntary resignation offer; $0.2 million for facilities and other charges related to the sale, closure, downsizing or relocation of operations; and $0.1 million for integration costs primarily related to integration initiatives associated with the PDM Divisions acquisition. Included in the 2001 special charges were $0.1 million for severance; $0.4 million in facilities and other charges related to the sale, closure, downsizing or relocation of operations; and $0.3 million for integration costs primarily related to integration initiatives associated with the Howe-Baker and PDM divisions acquisitions.

For the years ended December 31, 2001 and 2000.

In 2001, we recognized special charges of $9.7 million ($6.6 million after-tax). Included in the 2001 special charges were $5.7 million for personnel costs, including severance and personal moving expenses associated with the relocation, closure or downsizing of offices, and our

voluntary resignation offer; $2.8 million for facilities and other charges related to the sale, closure, downsizing or relocation of operations; and $1.2 million for integration costs primarily related to integration initiatives associated with the PDM Divisions acquisition. In 2000, we recognized special charges of $55.7 million ($44.1 million after-tax). Included in the 2000 special charges were $22.2 million for payments associated with our voluntary resignation offer, severance and other benefits-related costs;

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$5.3 million in facilities-related expenses and a $28.2 million non-cash valuation allowance against a net long-term receivable for the Indonesian Tuban (T.P.P.I.) Project.

In 1997, upon consummation of our initial public offering, we made a contribution to the Chicago Bridge & Iron Management Defined Contribution Plan (the Management Plan) in the form of 925,670 shares having a value of $16.7 million. Accordingly, we recorded expense of $16.7 million in 1997. Except as described in Note 14 to our consolidated financial statements for the years ended December 31, 2001 and 2000 included elsewhere in this prospectus, all shares have vested and been distributed.

(3) During the second quarter of 2001, we decided to discontinue our high purity piping business, UltraPure Systems, due primarily to continuing weak market conditions in the microelectronics industry. The loss on disposal of discontinued operations of $9.9 million after-tax includes the write-down of equipment (net of proceeds), lease terminations, severance and other costs, and losses during the phase-out period. As a result of this operation being classified as discontinued, prior periods have been previously restated. Our actions necessary to discontinue UltraPure Systems were essentially complete at December 31, 2001.

(4) A reorganization was completed in March 1997 and did not materially affect the carrying amounts of our assets and liabilities. The reorganization is reflected in our financial statements as of January 1, 1997. Also in March 1997, we completed an initial public offering.

(5) Contract capital is defined as contract receivables plus net contracts in progress less accounts payable.

(6) Adjusted EBITDA is defined as income (loss) from operations plus special charges, plus depreciation and amortization expenses. Because we believe that the nature of our special charges are either infrequent or unusual, special charges (including the cash portion of the special charge) have been excluded from Adjusted EBITDA. Cash payments relating to special charges were $2,589 and $8,323 for the three months ended March 31, 2002 and 2001, respectively, and $14,785 and $7,069 for the years ended December 31, 2001 and 2000, respectively. Additionally, EBITDA may not be comparable to other similarly titled measures used and reported by other companies. While EBITDA should not be construed as a substitute for operating income (loss) or a better measure of liquidity than cash flow from operating activities, which are determined in accordance with United States generally accepted accounting principles, it is included herein to provide additional information regarding our ability to meet our capital expenditures, working capital requirements and any future debt service. EBITDA is not necessarily a measure of our ability to fund our cash needs, particularly because it does not include capital expenditures or the cash portion of special charges. See Management s Discussion and Analysis of Financial Condition and Results of Operations elsewhere herein.

(7) New business taken represents the value of new project commitments received by us during a given period. Such commitments are included in backlog until work is performed and revenue recognized or until cancellation. Backlog may also fluctuate with currency movements.

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a global specialty engineering and construction (E&C) company serving the hydrocarbon, energy, power generation, and water and wastewater treatment industries. We have been helping our customers store and process the earth s natural resources for more than 100 years by supplying a comprehensive range of engineered steel structures and systems. We offer a complete package of design, engineering, fabrication, construction and maintenance services. Our products include hydrocarbon processing plants, LNG terminals and peak shaving plants, bulk liquid terminals, water storage and wastewater treatment facilities, and other steel structures and their associated systems. We have been continuously engaged in the engineering and construction industry since our founding in 1889.

On December 28, 2000, we acquired Howe-Baker, a globally recognized engineering and construction company which specializes in providing hydrocarbon processing plants to customers in the refining, petrochemical and natural gas industries. On February 7, 2001, we acquired the PDM Divisions, which specialize in the design and engineering, fabrication and construction of products for the petroleum, petrochemical, cryogenic, liquefied natural gas, defense and aerospace industries, as well as water storage and treatment facilities. All of the results of operations discussed below include those of the PDM Divisions as of February 1, 2001.

The following table sets forth, for the periods indicated, the percentages of our revenues that certain income and expense items represent:

	Year Ended December 31,	
	2001	**2000**
Revenues	100.0%	100.0%
Cost of revenues	87.4	88.7
Gross profit	12.6	11.3
Selling and administrative expenses	6.2	6.9
Intangibles amortization	0.5	0.1
Other operating income, net		(0.4)
Special charges	0.9	9.1
Income (loss) from operations	5.0	(4.4)
Interest expense	(0.8)	(0.9)
Interest income	0.2	0.1
Income (loss) before taxes and minority interest	4.4	(5.2)
Income tax (expense) benefit	(1.2)	0.8
Income (loss) before minority interest	3.2	(4.4)
Minority interest in income	(0.2)	(0.2)
Income (loss) from continuing operations	3.0	(4.6)

Our new business taken, revenues and income from operations (excluding and including special charges) in the following geographic regions are as follows:

	Year Ended December 31,			
	2001		2000	
	In Millions	%	In Millions	%
New Business Taken				
North America	$ 818.5	70%	$ 384.4	57%
Europe, Africa and Middle East	87.7	8	82.7	12
Asia Pacific	105.8	9	57.0	8
Central and South America	148.4	13	156.7	23
Total	$ 1,160.4	100%	$ 680.8	100%
Revenues				
North America	$ 726.6	67%	$ 304.5	50%
Europe, Africa and Middle East	124.2	11	176.5	29
Asia Pacific	39.9	4	55.5	9
Central and South America	191.1	18	75.2	12
Total	$ 1,081.8	100%	$ 611.7	100%
Income (Loss) From Operations, Excluding Special Charges				
North America	$ 42.2	66%	$ 15.4	53%
Europe, Africa and Middle East	1.4	2	5.5	19
Asia Pacific	(.2)		3.3	12
Central and South America	20.7	32	4.7	16
Total	$ 64.1	100%	$ 28.9	100%
Income (Loss) From Operations				
North America	$ 36.2	66%	$ (6.2)	23%
Europe, Africa and Middle East	(.3)		2.2	(8)
Asia Pacific	(.5)	(1)	(26.2)	98
Central and South America	19.0	35	3.4	(13)
Total	$ 54.4	100%	$ (26.8)	100%

Results of Operations

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

New Business Taken/ Backlog. For the three months ended March 31, 2002, new business taken increased 37% to $424 million compared with $309 million in 2001. The most significant new contract in the quarter was the previously announced award of a gas/oil separation plant project in Saudi Arabia valued at $105 million. Backlog at March 31, 2002 was $997 million compared with $841 million at the end of the first quarter 2001 and $835 million at year-end 2001.

Revenues. First quarter 2002 revenues increased 10% to $259.3 million from $235.4 million in 2001. Revenues increased in the North America region due to a higher volume of work currently being put in place by nearly all U.S. operating subsidiaries. Also contributing to the higher revenues was the impact of the PDM Divisions being included for the full quarter of 2002 compared with two months in the prior year quarter. Our revenues fluctuate based on the changing project mix and are dependent on the level and timing of customer releases of new business, and on other matters such as project schedules.

Gross Profit. Gross profit for the three months ended March 31, 2002 was $35.1 million or 13.5% of revenues compared with $28.3 million or 12.0% of revenues in 2001. The improvement in gross margin was due primarily to cost savings achieved from integrating acquired companies, the inclusion of higher margin work from acquired companies and continued strong project execution.

Selling and Administrative Expenses. Selling and administrative expenses were $17.9 million, or 6.9% of revenues, in the first quarter of 2002 compared with $15.9 million, or 6.7% of revenues, in the 2001 period. This increase relates to the impact of acquired operations and higher incentive compensation program costs.

Special Charges. During the first quarter of 2002, we incurred special charges of $1.2 million primarily related to the relocation of our administrative office to The Woodlands, Texas, including moving-related costs and severance expenses. We expect to incur approximately $2 million in additional charges through year end, primarily related to the relocation of the administrative office.

Income (Loss) From Operations. Excluding special charges, income from operations for the first quarter of 2002 increased 48% to $17.0 million compared with $11.5 million in the prior-year quarter. The higher volume of work in North America favorably impacted operating income, while the Central and South America region benefited from strong project execution on the work put in place. Continued low revenues in the Europe, Africa, Middle East region were offset by focused cost control and strong project execution, enabling the region to post modest operating income. While the Asia Pacific region posted a small volume-related loss in the first quarter, new business taken and prospects for the balance of 2002 have improved. Our adoption of SFAS 142, as fully described in Note 1 to our consolidated financial statements for the three months ended March 31, 2002 and 2001, benefited first quarter income from operations by approximately $0.9 million.

Net income from continuing operations excluding special charges for the three months ended March 31, 2002 was $11.0 million or $0.51 per diluted share compared with $5.9 million or $0.27 per diluted share for the first quarter of 2001.

Inclusive of discontinued operations and special charges, net income for the first quarter of 2002 was $10.3 million or $0.47 per diluted share, compared with net income of $3.5 million or $0.16 per diluted share for the first quarter of 2001.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

New Business Taken/Backlog. New business taken during 2001 was $1.2 billion compared with $680.8 million in 2000. Over 70% of the new business taken during 2001 was for contracts awarded in North America. During 2001, new business taken increased 113% in the North America area primarily due to the acquisitions of Howe-Baker and the PDM Divisions and included the following significant awards: a cryogenic storage tank for an LNG import terminal in the United States, an award for a gas-to-liquids processing facility, a clean fuels revamp project valued in excess of $40 million, a refinery relocation project, an oil sands project in Canada valued in excess of $40 million, a contract for the erection of heat recovery steam generators for an electric utility in the U.S. Northeast, and a hydrogen plant in the U.S. Northwest. New business in the Asia Pacific area increased 85% during 2001 and included awards for an LNG expansion project in Australia valued at $65 million and piping and mechanical work for an LNG expansion project in Malaysia. New business in the Europe, Africa, Middle East area increased 6% during 2001. New business in the Central and South America area decreased 5% during 2001 (after increasing more than 200% during 2000 compared with 1999) and included awards for a heavy oil tankage project in Venezuela and a cryogenic natural gas plant in Peru. Backlog at December 31, 2001 was $835.3 million compared with backlog at December 31, 2000 of $597.4 million (including backlog of $125.1 million from the Howe-Baker acquisition). Including the backlog acquired from the acquisition of the PDM Divisions in February 2001, backlog would have increased to approximately $741.5 million at December 31, 2000 on a pro forma basis. We anticipate new business in 2002 to increase due to the following factors: additional business opportunities resulting from recent

acquisitions, an emerging upturn in the energy market, and an upturn in capital spending by customers in the hydrocarbon industry.

Revenues. Revenues were $1.1 billion in 2001 compared with $611.7 million in 2000. The increase in revenues was due primarily to the additional revenue stream generated by the acquisitions of Howe-Baker and the PDM Divisions. Our revenues fluctuate based on the changing project mix and are dependent on the amount and timing of new awards, and on other matters such as project schedules. During 2001, revenues increased 154% in the Central and South America area and 139% in the North America area, but declined 30% in the Europe, Africa, Middle East area and 28% in the Asia Pacific area. The increase in revenues in the North America and Central and South America areas was due to the acquired businesses and to the significant amount of work currently being put in place in the Caribbean and Venezuela. We anticipate that total revenues for 2002 should approach $1.2 billion. Our flow of revenue will fluctuate based on the changing mix of projects worldwide. Based on the current backlog, it is expected that there will be a shift in the geographic distribution of revenues, with an increase in the North America, Europe, Africa, Middle East and Asia Pacific areas and a decline in the Central and South America area.

Gross Profit. Gross profit increased $67.8 million to $136.8 million in 2001 from $69.0 million in 2000. Gross profit as a percentage of revenues was 12.6% in 2001 and 11.3% in 2000 reflecting the significant cost savings achieved from the PDM Divisions integration, the inclusion of higher margin business from Howe-Baker, and continued strong project execution.

Special Charges. Special charges for 2001 were $9.7 million ($0.29 per diluted share). During 2001, we recorded special charges of $5.7 million for personnel costs related to the relocation of our administrative office to The Woodlands, Texas, including costs of senior executives who elected not to relocate, as well as moving-related (which are expensed as incurred) and severance expenses, and our voluntary resignation offer; $2.8 million for facilities and other charges, including charges related to the sale, closure, downsizing or relocation of operations; and $1.2 million for integration costs, primarily related to integration initiatives associated with the PDM Divisions acquisition. As many of our multinational customers in the hydrocarbon industry maintain their U.S. headquarters or a significant presence in the Houston area, we believe the move will enhance our ability to maintain and expand our existing customer relationships and build new ones. In accordance with EITF 94-3, moving, relocation and certain other costs have been expensed as incurred. For a further discussion of the special charges, see Note 4 to our consolidated financial statements for the years ended December 31, 2001 and 2000 included elsewhere herein (Consolidated Financial Statements).

Income (Loss) From Operations. Income from operations, excluding the special charges, more than doubled to $64.1 million in 2001, compared with $28.9 million in 2000. Including the special charges, income from operations was $54.4 million in 2001 compared with a $26.8 million loss in 2000. The North America area results benefited from the inclusion of Howe-Baker and the PDM Divisions, lower than anticipated integration costs, and good results from our Industrial, Water and union construction operations in the U.S. and Canada. Despite very low volumes in the Europe, Africa, Middle East area, focused cost control and excellent execution enabled the area to post modest operating income. Excluding poor economic performance in Australia, the Asia Pacific area was profitable. The Central and South America area benefited from several large contracts currently in the field in the Caribbean and Venezuela. We have experienced no material impact from the economic crisis in Argentina. The 2000 results include the recognition of $3.1 million of income related to a favorable trial court decision from a claim against certain of our insurers to recover legal fees expended in an environmental litigation. Selling and administrative expenses were $67.5 million, or 6.2% of revenues, in 2001 compared with $41.9 million, or 6.9% of revenues, in 2000. The 2001 selling and administrative expenses increased due to the acquisitions and a $4.9 million increase in performance based and variable pay compared with 2000. Intangibles amortization increased to $5.8 million in 2001 compared with $0.6 million in 2000 primarily due to increased goodwill and other intangibles amortization related to the acquisitions of Howe-Baker and the PDM Divisions.

Interest expense increased $3.2 million to $8.4 million in 2001 from $5.2 million in 2000. The increase was mostly due to higher average debt levels in 2001. Interest income consisting primarily of interest related to Howe-Baker s acquisition of Schedule A, Ltd. (see Note 10 to our Consolidated Financial Statements) and interest earned on cash balances increased to $1.9 million in 2001 compared with $0.4 million in 2000. Net interest expense increased $1.7 million to $6.5 million in 2001 compared with $4.8 million in 2000.

We recorded income tax expense of $13.5 million in 2001 compared with a $4.9 million income tax benefit in 2000. Excluding the special charges, income tax expense would have been $16.6 million in 2001 and $6.7 million in 2000, or an effective tax rate of 28.8% in 2001 compared with 27.8% in 2000.

Net income from continuing operations for 2001 was $38.5 million, or $1.72 per diluted share, compared with net income from continuing operations of $16.1 million, or $1.71 per diluted share, for 2000, excluding special charges for both periods.

During the second quarter of 2001, we decided to discontinue our high purity piping business, UltraPure Systems, due primarily to continuing weak market conditions in the microelectronics industry. The loss from discontinued operations for the year 2001 was $2.3 million, net of taxes, compared with a loss from discontinued operations of $5.7 million, net of taxes, for the twelve months of 2000. The loss on disposal of discontinued operations for 2001 was $9.9 million, net of taxes. Our actions necessary to discontinue UltraPure Systems were essentially complete at December 31, 2001.

Net income for 2001 was $19.7 million, or $0.88 per diluted share, compared with a net loss of $33.8 million, or $3.59 per diluted share, for 2000.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

New Business Taken/ Backlog. New business taken during 2000 was $680.8 million compared with $713.0 million in 1999. Over 56% of the new business taken during 2000 was for contracts awarded in North America. During 2000, new business taken increased 200% in the Central and South America area and included the following significant awards: a liquefied natural gas (LNG) storage tank in the Caribbean, an LNG terminal in the Dominican Republic for an electric power project and tankage for a heavy crude oil storage terminal in Venezuela. New business taken in North America increased 33% during 2000 and included awards for process vessels and tankage for a Canadian oil sands project, pressure vessels for a refinery turnaround project in California and a grassroots storage terminal in North America. New business taken during 2000 declined 72% in the Europe, Africa, Middle East area and 24% in the Asia Pacific area. The decline was due in large measure to softer regional demand from our core hydrocarbon customers, coupled with the fact that the Europe, Africa, Middle East area received an order in 1999 for an LNG expansion project valued in excess of $100 million. Backlog at December 31, 2000 was $597.4 million (including backlog of $125.1 million from the acquisition of Howe-Baker) compared with the backlog at December 31, 1999 of $507.5 million. During 2000, we removed the $50.0 million remaining on the Tuban (T.P.P.I.) Project from backlog.

Including the backlog acquired from the PDM Divisions in February 2001, backlog increased to approximately $741.5 million at December 31, 2000 on a pro forma basis.

Revenues. Revenues were $611.7 million in 2000 compared with $674.4 million in 1999. The decline in revenues year-over-year was due primarily to reduced capital spending in the hydrocarbon industry and the resultant impact on our base business. Our revenues fluctuate based on the changing project mix and are dependent on the amount and timing of new awards, and on other matters such as project schedules. During 2000, revenues increased 11% in the Europe, Africa, Middle East area and 6% in North America, but declined 44% in the Central and South America area and 40% in the Asia Pacific area. The decrease in revenue in the Central and South America area resulted from a significant volume of work being put in place in 1999 following a record level of new business awarded during 1998. Included in the 2000 results was $21.5 million in revenues from start-up and recently acquired businesses. Howe-Baker has not been

included in the results of operations for 2000, but results of Howe-Baker were reflected effective January 1, 2001.

Gross Profit. Gross profit decreased $8.7 million to $69.0 million in 2000 from $77.7 million in 1999. Gross profit as a percentage of revenues (gross margin) was 11.3% in 2000 and 11.5% in 1999.

Special Charges. During 2000, we took additional actions to size our operations appropriately for the level of base business going forward and to position our core business in advance of the acquisition and integration of Howe-Baker. We recognized special charges of $55.7 million ($4.69 per diluted share) in 2000. We recorded charges of $22.2 million for payments associated with our voluntary resignation offer, severance and other benefits-related costs, including the involuntary and voluntary terminations of 275 employees (including 230 salaried employees, a 16% reduction in our pre-Howe-Baker number of salaried employees). We also recognized charges of $5.3 million in facilities-related expenses reflecting the commitment to downsize or lower costs at five facilities worldwide and other exit costs, including asset write-downs and lease terminations. A special charge of $28.2 million in the fourth quarter resulted from a full valuation allowance against a net long-term receivable for the Tuban (T.P.P.I.) Project and was based on our assessment of the status of the project. For a further discussion of the special charges, see Note 4 to our Consolidated Financial Statements.

(Loss) Income from Operations. Income from operations, excluding the special charges, decreased 6.8% to $28.9 million in 2000, compared with $31.0 million in 1999. Including the special charges, the loss from operations was $26.8 million in 2000 compared with $31.0 million of income from operations in 1999. 2000 results include the recognition of $3.1 million of income related to a favorable trial court decision from a claim against certain of our insurers to recover legal fees expended in an environmental litigation. Selling and administrative expenses decreased to $41.9 million, or 6.9% of revenues, in 2000 compared with $49.0 million, or 7.3% of revenues, in 1999. The 2000 selling and administrative expenses included a $3.8 million decrease in performance-based and variable pay compared with 1999.

Interest expense increased $2.2 million to $5.2 million in 2000 from $3.0 million in 1999. The increase was mostly due to higher average debt levels in 2000. Interest income consisted primarily of interest earned on cash balances at non-U.S. subsidiaries and decreased to $0.4 million in 2000 compared with $0.8 million in 1999. Net interest expense increased $2.6 million to $4.8 million in 2000 compared with $2.2 million in 1999.

We recorded a $4.9 million income tax benefit in 2000 compared with a $8.1 million income tax expense in 1999. Excluding the special charges, income tax expense would have been $6.7 million in 2000, or an effective tax rate of 27.8% in 2000 compared with 28.0% in 1999.

Net income from continuing operations for 2000 was $16.1 million, or $1.71 per diluted share, excluding special charges, compared with net income from continuing operations of $19.5 million, or $1.75 per diluted share, for 1999.

The loss from discontinued operations for 2000 was $5.7 million, net of taxes, compared with a loss from discontinued operations of $1.1 million, net of taxes for 1999.

Net loss for 2000 was $33.8 million, or $3.59 per diluted share, compared with net income of $18.4 million, or $1.65 per diluted share, for 1999.

Liquidity and Capital Resources

Three Months Ended March 31, 2002

For the three months ended March 31, 2002, we utilized $5.5 million of cash for operating activities. Cash flow used for operating activities included an increase in contract capital of $7.1 million and a decrease in accrued and other non-current liabilities of $7.6 million. The changes in contract capital vary from year to year and are affected by the mix, stage of completion and commercial terms of contracts. The decrease in liabilities relates primarily to the funding of certain incentive compensation and employee benefit programs.

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Capital expenditures during the quarter were $2.7 million compared with $1.8 million in the prior year period. For the three months ended March 31, 2002, we reported proceeds of $2.3 million related to the sale of property and equipment. We utilized $4.7 million for business acquisitions in the first quarter of 2002, attributable to the purchase of TPA, Inc. (see Note 2 to our consolidated financial statements for the three months ended March 31, 2002 and 2001).

At March 31, 2002 and December 31, 2001, our long-term debt stood at $75.0 million. Net debt (total debt less cash and cash equivalents) was $41.3 million at March 31, 2002, up from $30.4 million at year-end 2001. We currently have a maximum aggregate commitment of $175 million for letters of credit and debt borrowing under our revolving credit facilities.

Year Ended December 31, 2001

In 2001, we generated cash from operations of $105.8 million compared with $4.1 million in 2000. Cash flow from operating activities included a reduction in contract capital that provided $59.9 million in 2001. This reduction was achieved primarily from realization of contract capital from the acquired businesses and from the high level of activity in the North America and Central and South America areas.

In 2001, we expended $8.9 million for capital expenditures and realized $2.8 million in proceeds from the sale of property and equipment. The capital expenditures in 2001 included $5.2 million for field equipment, $2.6 million for the improvement of facilities, and $1.1 million for information systems. In 2000, we expended $6.4 million for capital expenditures and realized $4.9 million in proceeds from the sale of property and equipment. The capital expenditures in 2000 included $3.9 million for field equipment, $0.9 million for the improvement of facilities, and $1.6 million for information systems.

In July 2001, we completed a $75 million private placement of senior notes to a group of institutional investors. The notes carry an interest rate of 7.34% and are due in 2007, with principal reductions annually from 2005 through 2007. The notes contain a number of restrictive covenants, including minimum levels of net worth and debt and fixed charge ratios, among other restrictions. The notes also place restrictions with regard to investments, other debt, subsidiary indebtedness, sales of assets, liens, nature of business conducted and mergers, among other restrictions. Proceeds were used to reduce floating rate debt under our bank revolving credit facility.

In August 2001, our bank revolving credit facility was amended by an amended and restated credit agreement. This amendment changed the facility s terms from a three-year, unsecured $200 million facility to a four-year, unsecured $125 million facility. We also entered into a 364-day credit agreement with the same bank group which provides for $50 million of debt borrowings and short-term letters of credit. Under these facilities, we currently have a maximum aggregate commitment of $175 million for letters of credit and debt borrowings. The facilities provide for revolving loans for general corporate purposes, including working capital, debt refinancing, acquisitions and other of our requirements, and also for letters of credit to be issued in the normal course of business. There is no sublimit on the amount of letters of credit which can be issued, on a committed basis, under the facilities. The letters of credit issued under the facilities are permitted to have a maximum expiration date of five days prior to the termination date of each facility term. A commitment fee is applied to the amount by which the aggregate commitment exceeds the revolving credit obligation. Borrowings under each facility bear interest based on either a margin over prime rate or a margin over the British Bankers Association interest settlement rate. Undrawn letters of credit issued under the facility are subject to fees specified in the agreement. Both the interest margin on borrowings and the fee for letters of credit are determined by our quarterly leverage ratio. The facilities contain certain restrictive covenants, including minimum levels of net worth, interest coverage, fixed charge and leverage ratios, among other restrictions. The facilities also place restrictions with regard to subsidiary indebtedness, sales of assets, liens, investments, type of business conducted, and mergers and acquisitions, among other restrictions.

At December 31, 2001, our long-term debt stood at $75.0 million compared with $101.8 million at the end of 2000. Strong cash flow resulted in net debt (total debt less cash and cash equivalents) of $30.4 million at December 31, 2001, a reduction from $94.6 million at December 31, 2000. During 2001,

we purchased 2,685,884 shares of our common stock, or 15% of our shares outstanding as of year-end 2000, for $49.1 million. During 2000, we purchased 1,183,664 shares, or 12% of our shares outstanding as of year-end 1999, for $18.8 million. We ended 2001 with contract capital of $43.2 million, a $18.1 million decrease from December 31, 2000. Cash and cash equivalents at year-end 2001 were $50.5 million compared with $7.5 million at the end of 2000.

On February 7, 2001, we acquired substantially all of the assets of the PDM Divisions (see Note 3 to our Consolidated Financial Statements) for 2,848,172 shares of our common stock (including 282,575 collar shares for price protection, if required) and $40.0 million in cash. Pitt-Des Moines, Inc. (PDM) was obligated to remit to us net proceeds from the disposition of these shares in excess of $44.0 million. The source of funds for the cash portion of the purchase price was a private placement of 837,692 of our shares to Farinvest, Ltd., an affiliate of WEDGE Group Incorporated (for a price of $13.6 million) and 1,623,846 of our shares, plus a warrant to purchase an additional 251,598 shares at an exercise price of NLG .01 per share, to First Reserve (for a total price of $26.4 million), plus an additional warrant to First Reserve for 250,000 of our shares, subject to decrease depending on the number of shares repurchased by us prior to June 30, 2001. The issuance of a total of 5,309,710 shares represented a 30% increase in our shares outstanding from December 31, 2000. First Reserve exercised the warrant to purchase 251,598 shares on February 22, 2001. On March 15, 2001, we called 524,781 shares from PDM priced at $9.0 million and a return of the 282,575 collar shares issued for price protection. We sold these 807,356 shares at $17.75 (less expenses), based on an agreement entered into on February 23, 2001, to an unaffiliated group of investors for a total price of $14.3 million. PDM had the right to require us to repurchase the remaining 2,040,816 shares at $17.15 per share, for a total price of $35.0 million. We had certain rights to call these shares prior to June 28, 2001. We repurchased these shares from PDM in June 2001 as anticipated under the terms of the asset purchase agreement. We funded the purchase in part from the proceeds of the sale and leaseback of our administrative office in Plainfield, Illinois.

On December 28, 2000, we acquired the entire ownership interest of Howe-Baker from WEDGE Group Incorporated for consideration of 8,146,665 of our shares of common stock (valued at $12.8875 per share), $43.0 million in cash and the assumption of certain liabilities.

The issuance of these shares resulted in an 85% increase in our shares outstanding at the date of acquisition. Immediately following this transaction, First Reserve acquired from WEDGE Group Incorporated 4,323,333 of our shares. As part of this transaction, First Reserve purchased an additional 530,000 of our shares from WEDGE Group Incorporated and one of its affiliates and we agreed to grant First Reserve a warrant to purchase 82,118 of our shares at an exercise price of NLG ..01 per share. First Reserve exercised this warrant on February 22, 2001.

Our management anticipates that by utilizing cash generated from operations and funds provided under our revolving credit facilities, we will be able to meet our contract capital and capital expenditure needs for at least 24 months. We cannot give assurances that such funding will be available, as our ability to generate cash flows from operations and our ability to access funding under our revolving credit facilities may be impacted by a variety of business, economic, legislative, financial and other factors, which may be outside of our control. Additionally, and as discussed in Note 7 to our Consolidated Financial Statements, our revolving credit facilities contain a number of restrictive covenants.

In addition, we have a significant, uncommitted bonding facility, primarily to support our project-related obligations. A bonding facility termination or reduction could result in our utilizing letters of credit in place of performance bonds, thereby reducing our available capacity under our revolving credit facilities. Although we do not anticipate a reduction or termination of the facility, there is no guarantee that we will continue to maintain such a facility to service our ordinary course obligations at reasonable terms.

As a result of the previously announced relocation of our administrative headquarters from Plainfield, Illinois to The Woodlands, Texas, our management has elected to build a new administrative office in The Woodlands. See Business Properties elsewhere herein.

Off-Balance Sheet Arrangements

We use operating leases for facilities and equipment when they make economic sense. In 2001, we entered into a sale (for approximately $14.0 million) and leaseback transaction of our Plainfield, Illinois administrative office with a lease term of 20 years. Rentals under this and all other lease commitments are reflected in rental expense and future rental commitments as summarized in Note 8 to our Consolidated Financial Statements.

We have no other off-balance sheet arrangements.

Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risk from changes in foreign currency exchange rates, which may adversely affect our results of operations and financial condition. We seek to minimize the risks from these foreign currency exchange rate fluctuations through our regular operating and financing activities and, when deemed appropriate, through limited use of foreign currency forward contracts. Our exposure to changes in foreign currency exchange rates arises from receivables, payables and firm commitments from international transactions, as well as intercompany loans utilized to finance non-U.S. subsidiaries. We do not use financial instruments for trading or speculative purposes.

The carrying value of our cash and cash equivalents, accounts receivable, accounts payable and notes payable approximates their fair values because of the short maturity of these instruments. At December 31, 2001, the fair value of our long-term debt was $76.7 million based on current market rates for debt of the same risk and maturities. Our accounting policies and a quantification of our derivative financial instruments are included in Note 2 to our Consolidated Financial Statements.

Euro Conversion

The Euro was introduced on January 1, 1999, at which time the conversion rates between the currencies of the 11 participating European countries that are members of the European Economic and Monetary Union (EMU) and the Euro were set. The local currencies were used as legal tender through January 1, 2002. Subsequently, the local currencies have been canceled and Euro bills and coins are now used in the 11 participating countries. The transition to the Euro has not had any significant impact on our results of operations, financial position or cash flows.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards (SFAS) No. 141 Business Combinations (SFAS 141) and SFAS No. 142 Goodwill and Other Intangible Assets (SFAS 142). These pronouncements changed the accounting for business combinations, goodwill and intangible assets. SFAS 141 eliminates the pooling-of-interests method of accounting for business combinations and further clarifies the criteria to recognize intangible assets separately from goodwill. The requirements of SFAS 141 are effective for any business combination accounted for by the purchase method that was completed after June 30, 2001. SFAS 142 states goodwill and indefinite-lived intangible assets are no longer amortized to earnings but instead are reviewed for impairment at least annually. The amortization of existing goodwill and indefinite-lived intangible assets at June 30, 2001 has ceased at January 1, 2002. Goodwill on acquisitions completed subsequent to June 30, 2001 is not amortized, but instead will be reviewed annually for impairment. We adopted these new Statements effective as of January 1, 2002. In connection with the adoption of SFAS 142, during the first quarter of 2002, we completed our goodwill impairment assessment and concluded that no transitional impairment charge was necessary. Amortization expense arising from goodwill and other intangible assets that will no longer be amortized under the provisions of the new rules was approximately $4.2 million in 2001 and $0.6 million in 2000.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133).

SFAS 133, as amended by SFAS 138, is effective for fiscal years beginning after June 15, 2000 (quarter ended March 31, 2001 in our case). We adopted the new Statement effective as of January 1, 2001. Adoption requires that we record all derivative instruments on the balance sheet at their fair value and changes in the derivative s fair value are to be recorded each period in earnings, unless specific hedge accounting criteria are met. This change in accounting does not have a significant effect on our results of operations or our financial position.

Critical Accounting Policies

We recognize revenues using the percentage-of-completion method. Contract revenues are accrued based generally on the percentage that costs-to-date bear to total estimated costs. We follow the guidance of the Statement of Position 81-1, Accounting for Performance of Construction-Type and Certain Production-Type Contracts (SOP 81-1) for accounting policy relating to our use of the percentage-of-completion method, estimating costs, revenue recognition and claim recognition. The use of estimated cost to complete each contract is a significant variable in the process of determining income earned 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. Contract revenue reflects the original contract price adjusted for agreed-upon change orders and estimated minimum recoveries of claims. Although successful, this contracting model has inherent risks. Losses expected to be incurred on contracts in progress are charged to income as soon as such losses are known. A significant portion of our work is performed on a fixed price or lump-sum basis. The balance of projects is primarily performed on variations of cost reimbursable and target price approaches. We have a history of proven success in estimating and bidding lump-sum, fixed price contracts. However, due to the various estimates inherent in our contract accounting, actual results may differ from those estimates. Our accounting policies are more fully discussed in Note 2 to our Consolidated Financial Statements.

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BUSINESS

We are a global specialty engineering and construction (E&C) company serving the hydrocarbon, energy, power generation, and water and wastewater treatment industries. We have been helping our customers store and process the earth s natural resources for more than 100 years by supplying a comprehensive range of engineered steel structures and systems. We offer a complete package of design, engineering, fabrication, construction and maintenance services. Our products include hydrocarbon processing plants, LNG terminals and peak shaving plants, bulk liquid terminals, water storage and treatment facilities, and other steel structures and their associated systems. During 2001, we worked on over 900 contracts for customers in a variety of industries. Over the last several years, our customers have included:

- large U.S., multinational and state-owned oil companies, such as Shell, ExxonMobil, Koch Industries, BP, Conoco, Saudi Aramco and PDVSA;
- leading engineer/procure/construct (EPC) companies, such as Fluor, Bechtel, Foster Wheeler, Kellogg Brown & Root, and Technip-Coflexip;
- LNG and natural gas producers and distributors, such as Williams Energy Services, Distrigas and Woodside Energy;
- power generators, such as AES, Conectiv and Constellation Power; and
- municipal and private water companies.

We believe that our comprehensive global E&C capabilities and our broad range of products and services position us to capitalize on the expected growth in our primary end markets. Projects for the hydrocarbon, energy and power generation industries collectively represent a majority of our 2001 revenues. Growth in the hydrocarbon market is being driven by increasing global demand for oil and gas and the need to meet more stringent environmental requirements worldwide. Growth in worldwide demand for natural gas for electricity generation has accelerated the development of LNG projects around the globe. We are tracking more than 25 LNG opportunities worldwide with combined potential revenue to the winning bidders in excess of $1.8 billion for the period between 2002 and 2004. We are positioned to benefit from these market trends with our strengths in hydrocarbon process plants, petroleum storage terminals, natural gas processing, LNG storage, power plant component construction and thermal energy storage systems. In addition, the water storage and treatment market is expected to maintain consistent growth in order to meet the needs of an aging infrastructure, comply with safe drinking water requirements in North America and expand service areas. We supply an extensive range of elevated and aboveground water storage tanks, as well as water and wastewater treatment systems.

Our acquisitions of Howe-Baker and the PDM Divisions have significantly enhanced our product and service offerings.

Howe-Baker. On December 28, 2000, we acquired Howe-Baker, a globally recognized engineering and construction company which specializes in providing hydrocarbon processing plants to customers in the refining, petrochemical and natural gas industries. We expect to continue to generate new business by leveraging Howe-Baker s advanced hydrocarbon processing engineering and technical capabilities across our worldwide marketing and execution platform. In recent examples of the strategic benefits of the acquisition, we were awarded a natural gas processing plant project in South America during the second quarter of 2001 and a gas/oil separation plant (GOSP) project in Saudi Arabia during the first quarter of 2002. Both awards were achieved by combining the global market presence of CB&I and the technological expertise of Howe-Baker.

PDM Divisions. On February 7, 2001, we acquired the Engineered Construction and Water Divisions of Pitt-Des Moines, Inc., which specialize in the design and engineering, fabrication and construction of products for the petroleum, petrochemical, cryogenic, liquefied natural gas, defense and aerospace industries, as well as water storage and treatment facilities. This acquisition enhances our engineering and

execution capabilities, provides access to an expanded customer base, and is producing significant synergies from the application of best practices and the elimination of duplicative costs.

We had revenues of approximately $1.1 billion and adjusted EBITDA of approximately $89.2 million in 2001. Our backlog was $997 million at March 31, 2002. We employed more than 7,200 persons worldwide as of December 31, 2001.

Competitive Strengths

We believe that our core competencies enable us to deliver to our customers the best overall combination of experience, reliability, quality and performance which produces a lower-risk, higher value equation for our customers. These core competencies, which we believe are significant competitive strengths, include:

Worldwide Record of Excellence. We have established a record as a leader in the international engineering and construction industry by providing consistently superior project performance for more than 112 years. The addition of Howe-Baker and the PDM Divisions to our family has further enhanced our capabilities for excellence in project design and execution.

Fully-Integrated Specialty Engineering & Construction Service Provider. We are one of a very few global E&C service providers that can deliver a project from conception to commissioning, including conceptual design, detail engineering, procurement, fabrication, field erection, mechanical installation, start-up assistance and operator training. We generally engineer what we build and build what we engineer, which allows us to provide our customers with innovative engineering solutions, aggressive schedules and work plans, and optimal quality and reliability.

Global Execution Capabilities. With a global network of some 35 sales and operations offices and established labor and supplier relationships, we have the ability to rapidly mobilize people, materials and equipment to execute projects in locations ranging from highly industrialized countries to some of the world s most remote regions. We completed nearly 700 projects in approximately 50 different countries in 2001. Our global reach makes us an attractive partner for large, global energy and industrial companies with geographically dispersed operations and also allows us to allocate our internal resources to geographies and industries with the greatest current demand. At the same time, because of our long-standing presence in numerous markets around the world, we have a prominent position as a local contractor in those markets.

History of Innovation. We have established a reputation for product innovation ever since we introduced the first floating roof tank to the petroleum industry in 1923. We have since maintained a strong culture of developing technological innovations and currently possess some 75 active U.S. patents. We develop innovative technologies on behalf of our customers that are immediately applicable to improving hydrocarbon processing, storage technology and field erection procedures. Our acquisition of Howe-Baker has equipped us with well-established technology and proprietary know-how in refinery processes, desalting/dehydration, synthesis gas production and gas-to-liquids processing. Howe-Baker s recent acquisition of TPA, Inc. strengthens our technology and know-how in sulfur removal and recovery processes, an important element for the production of low sulfur transportation fuels.

Our in-house engineering team includes internationally recognized experts in site-erected metal plate structures, pre-stress concrete structures, stress analysis, metallurgy, nondestructive examination, and cryogenic storage and processing. Many of our senior engineers sit on committees that have helped develop worldwide standards for storage structures and process vessels for the petroleum and water industries, including the American Petroleum Institute, American Water Works Association and American Society of Mechanical Engineers.

Strong Focus on Project Risk Management. We are experienced in managing the risk associated with bidding on and executing complex projects, including extensive bid review and approval procedures. Our position as a fully-integrated E&C service provider, combined with our experience in risk management, allows us to execute global projects on a competitively bid fixed-price, lump-sum basis by actively

controlling project costs. Lump-sum contracting, which is part of the ingrained culture at both CB&I and Howe-Baker, enables us to achieve historically higher returns versus those available from variable cost (cost-plus) contracts and provides significant advantages to the customer in terms of cost and schedule control. In addition, our ability to execute lump-sum contracts provides us with access to a growing segment of the E&C market that is demanding these types of contracts.

Strong Safety Performance. Success in our industry depends in part on strong safety performance. Because of our long and outstanding safety record, we are sometimes invited to bid on projects for which other competitors do not qualify. According to the Bureau of Labor Statistics, the national average Lost Workday Cases Incidence Rate for construction companies similar to CB&I was 4.3 per 100 full-time employees for 2000 (the last reported year), while our comparable rate for such year was only 0.3 per hundred. Our excellent safety performance also translates directly to lower cost, timely completion of projects, and reduced risk to our employees, subcontractors and customers.

Management Team with Deep Engineering & Construction Industry Experience. Members of our senior leadership team have an average of more than 20 years of experience in the E&C industry. In addition to their CB&I background, many of our senior managers have international experience with recognized EPC companies, such as Fluor, BE&K Incorporated, Rust Engineering and Stearns Catalytic. Our experience, particularly in risk management and project execution, enables us to recognize and capitalize upon attractive opportunities in our primary end markets.

Growth Strategy

We intend to increase shareholder value through the execution of the following growth strategies:

Leveraging the Strengths of Howe-Baker and the PDM Divisions. Our acquisitions of Howe-Baker and the PDM Divisions have broadened our capabilities and resources to meet customer needs in our end markets. By leveraging Howe-Baker s process capabilities across our global sales and execution platform, we expect to grow this business significantly outside the United States. In addition, we are creating synergistic growth by integrating the PDM Divisions storage tank technology, execution capabilities and customer relationships with our existing businesses to expand our product offerings. We will also focus on imparting best practices and technologies from each business throughout the organization.

Expanding our Market Share in the High-Growth Energy Infrastructure Business. Growth in LNG trade (approximately 8% per year since 1980, according to Energy Research Associates) has created strong global demand for LNG transportation and storage systems. We intend to utilize our substantial expertise and experience in LNG and cryogenic systems to expand our presence in the worldwide sales of LNG infrastructure facilities. We have long been a leader in the turnkey design and construction of low temperature and cryogenic storage facilities, including LNG tanks, and have provided more than 40 turnkey terminals and peak shaving plants and more than 190 low temperature and cryogenic tanks. We expect that growing worldwide demand for natural gas, and the need to monetize stranded gas reserves, will create opportunities for Howe-Baker s gas processing and gas-to-liquids technologies. In addition, we expect greater opportunities for refinery revamp and expansion projects prompted by more stringent environmental regulations for transportation fuels.

Marketing our Expanded Capabilities. We will continue to expand our marketing programs to identify and capitalize on attractive customer bases and end markets. We will focus our sales and marketing resources on cultivating and expanding relationships with large global companies in our target industry segments that traditionally have been heavy consumers of our products and services. We recently moved our administrative offices to The Woodlands, Texas (near Houston) to facilitate more frequent interaction with the energy and power generation community. We have also assigned senior members of our sales and marketing staff to pursue targeted prospects in high potential markets, focusing in particular on LNG projects and EPC opportunities utilizing the combined CB&I and Howe-Baker resources. We believe that our ability to identify attractive customers and rapid growth markets will provide a competitive advantage during changing market conditions.

Continuing to Improve Project Execution and Cost Control. Consistently profitable E&C companies deliver projects at or above the initial estimated margin by effectively managing the construction process and controlling direct costs. We intend to maintain and enhance our successful track record in project execution (as measured by our internal metrics) through training and the application of best practices. In addition, identifying and controlling non-project expenses and capital expenditures is an essential part of our ongoing efforts to improve our profitability and return on investment. Current programs include controlling staffing levels, limiting capital spending through short-term rentals, and careful control of precontract expenses. Moreover, strategic investments in information technology have enabled us to lower communication costs, achieve a common reporting platform and deliver engineering documents electronically on a worldwide basis.

Creating Growth from Acquisitions and Other Business Combinations. We will continue to pursue growth through selective acquisitions of businesses or assets that will expand or complement our current portfolio of products and services. Our acquisitions of Howe-Baker and the PDM Divisions were significant steps in the implementation of this strategy. We will continue to seek future acquisition targets that (i) enable us to provide more cost-effective solutions, (ii) are well-managed, (iii) have strong growth prospects, (iv) can be acquired without excessive leverage, (v) have above-average margins, (vi) give us the ability to leverage our core skills and infrastructure, (vii) have a strong cultural fit and (viii) are priced fairly.

End-Markets Overview

We believe that our principal end markets will experience significant growth over time as global demand for oil, energy, power and water increases. Recent forecasts by the Energy Information Administration (EIA) project that global energy consumption will increase by 59% between 1999 and 2020. We are positioned to benefit from this growth with our strengths in process plants, petroleum and refined product storage tanks and terminals, natural gas processing, LNG storage and systems, power plant component construction, and water storage and wastewater treatment. Major end markets served include:

Petroleum Refining Operations and Clean Fuels. Demand for our services in the refining industry is being driven by refiners need to process a broader spectrum of crude oil and to produce a greater number of products, as well as requirements to comply with increasingly stringent worldwide environmental regulations for transportation fuels. These trends continue to create significant investment opportunities for companies engaged in the design, construction and revamp of oil refineries.

Current and proposed Environmental Protection Agency (EPA) regulations, as well as European Union mandates, are intended to significantly reduce sulfur content in gasoline and diesel fuels. Implementation of these regulations will require considerable capital expenditures to retrofit and rehabilitate plants to comply with the standards. The National Petroleum Council estimates that the capital outlay by U.S. refiners to meet EPA-mandated gasoline sulfur content limits will be at least $8 billion by the mandatory compliance date in 2006. Comparable European Union mandates could require up to $20 billion in process expenditures by EU refiners during roughly the same time period. The expected increase in capital expenditures to meet clean fuel requirements should increase the amount spent on upgrading, replacing or adding refining equipment at U.S. refineries. Our recent turnkey contract for Murphy Oil USA s Mereaux, Louisiana refinery is an example of a project generated by the clean fuels legislation. This refinery expects to increase its crude throughput and to meet future standards for ultra-low sulfur gasoline and diesel fuel.

Our broad range of services in the refining sector includes:

- non-catalytic processes such as desalting and dehydrating units, crude stabilization units, distillate treating plants and vacuum distillation units;
- catalytic processes such as CCR reformers, hydrotreaters, hydrodesulfurization units and isomerization units;
- process vessels;

storage tanks; and

maintenance turnarounds.

Natural Gas. The United States is one of the world s largest producers and consumers of natural gas. According to the National Energy Policy report, this fuel is the third-largest source of U.S. electricity generation, accounting for about 16% of the energy generation in the U.S. during 2000. Overall demand for natural gas as fuel for power generation in the U.S. energy economy is projected by the EIA to increase by more than 50% between 2000 and 2020, from 22.8 trillion cubic feet in 2000 to 34.7 trillion cubic feet in 2020, primarily driven by electricity restructuring (projected growth in demand for electricity generation is expected to triple by 2020) and the favorable economics of natural gas power plants. Demand for natural gas is also being driven by environmental requirements for cleaner fuels and the development of new gas-fired electricity generating plants. We are a recognized leader in providing turnkey facilities and equipment for natural gas processing, such as nitrogen rejection units, amine circulation units for the removal of H_2S and CO_2, and cryogenic gas plants to recover higher-value components such as ethane. For example, our recent sales include the design and construction of a cryogenic gas plant for Dynegy Midstream Services, L.P. at Chico, Texas, a turbo-expander plant to recover propane and ethane natural gas liquids for Pioneer Natural Resources in Argentina, and an LNG peak shaving plant for Pine Needle Operating Company in North Carolina.

The EIA notes that natural gas consumption in the form of LNG is increasing even faster than piped gas, especially in Asia where LNG accounts for more than 97% of Japan s natural gas consumption. LNG import terminals provide a means to add, relatively quickly, up to 1 billion cubic feet per day (BCFD) or more of capacity to strained pipelines, as compared to locating and developing new gas production fields. A number of new LNG import terminals have been announced or proposed around the world, including several to serve North America. The rising demand for LNG has heightened the need for LNG infrastructure expansion and construction. We have long been a leader in the turnkey design and construction of low temperature and cryogenic storage facilities such as LNG storage tanks and facilities. We have provided more than 40 turnkey terminals and peak shaving plants, and more than 190 field-erected low temperature and cryogenic tanks.

Power Generation. According to the Department of Energy, growth in U.S. energy consumption over the next 20 years will increasingly outpace U.S. energy production if production only grows at the rate of the last decade. This imbalance, coupled with deregulation of the power industry and decommissioning of nuclear plants, has resulted in a surge in domestic construction of power plants. According to the EIA, a projected 1,000 new plants with a total of 300 gigawatts of capacity will be needed by 2020 to meet growing demand and to offset retirements of nuclear and fossil fuel plants. Approximately 90% of new capacity is projected to be combined-cycle or combustion turbine technology fueled primarily by natural gas. The EIA estimates that by 2020 approximately $30 billion will be expended annually on electricity generation investments worldwide. The EIA further estimates that between 1998 and 2020 generating capacity from gas turbines and internal combustion engines is expected to more than triple. We have experience and expertise in the erection of heat recovery steam generators, as well as associated plant components such as tanks, scrubbers, stacks and duct work for combined cycle gas-fired plants.

Chemical Process Industries and Other Petrochemical Industries. Demand in other petrochemical and process industries has declined somewhat in recent years as a result of decreased spending by chemical and petrochemical companies and a downturn in the Asian economy. To the extent this sector demand improves, we expect to see increased activity in our processing work. In the petrochemical field, we have particular expertise in the construction of ethylene plants, which convert gas and/or liquid hydrocarbon feedstocks into ethylene, the source of many higher-value chemical products, including packaging, pipes, polyester, antifreeze, electronics, tires and tubes. The rising energy demand may also increase demand for liquefied petroleum gas (LPG) storage facilities, for which we are an industry leader, providing full pressure storage in Hortonsphere® pressure spheres and also refrigerated single wall storage tanks using our proprietary Horizontal Foam-In-Place (HFIP) tank insulation system. In the ammonia industry, we are a leading supplier of turnkey ammonia storage terminals and field-erected tanks.

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Water and Wastewater. Since the early 1970s, the U.S. Congress has enacted a range of laws and provisions to establish drinking water standards and regulate underground storage tanks, biosolids reuse, waste treatment, as well as remediate and regulate hazardous waste disposal sites. According to the U.S. EPA, infrastructure spending for public water systems in the U.S. is projected to reach approximately $150.9 billion between 1999 and 2018. Of this amount, approximately $102.5 billion is needed in the near term to ensure compliance with the Safe Drinking Water Act. Operational costs for drinking water suppliers are rising to meet the needs of an aging infrastructure, comply with public health standards, and expand service areas. Because water is a constrained resource, the marginal cost of new sources of supply is expected to rise and the demand for new systems that meet the more stringent regulatory standards may increase. Additionally, there is increased emphasis on beneficial reuse of the biosolid byproducts of waste treatment. With an installation track record of more than 25,000 completed water storage tanks over the last century (including over 360 during the past five years), over 60 egg-shaped anaerobic digesters, and over 300 ClariCone®water clarifiers, we have significant experience in the water storage and treatment sector.

Products And Services

We provide a wide range of innovative and value-added E&C products and services, including:

Process Plants. Through our acquisition of Howe-Baker, we are able to provide E&C services for customers in the hydrocarbon industry, specializing in natural gas processing plants, refinery and petrochemical process units, and hydrogen and synthesis gas plants. Natural gas processing plants treat natural gas to meet pipeline requirements and to recover valuable liquids and other enhanced products, through such technologies as cryogenic separation, amine treating, dehydration and liquids fractionation. Refinery and petrochemical process units enable customers to extract products from the top and middle streams of the crude oil barrel using technologies such as electrical desalting, catalytic reforming, vacuum and atmospheric distillation, fuels and distillate hydrotreating, hydrodesulfurization, alkylation and isomerization. Synthesis gas plants generate industrial gases for use in a variety of industries through technologies such as steam methane and auto-thermal reforming, partial oxidation reactors and pressure swing adsorption purification.

Low Temperature/ Cryogenic Tanks and Systems. These facilities are used primarily for the storage and handling of liquefied gases. We specialize in providing refrigerated turnkey terminals and tanks. Refrigerated tanks are built from special steels and alloys that have properties to withstand cold temperatures at the storage pressure. These systems usually include special refrigeration systems to maintain the gases in liquefied form at the storage pressure. Applications extend from low temperature (+30F to -100F) to cryogenic (-100F to - 423F). Customers in the petroleum, chemical, petrochemical, specialty gas, natural gas, power generation and agricultural industries use these tanks and systems to store and handle liquefied gases such as LNG, methane, ethane, ethylene, LPG, propane, propylene, butane, butadiene, anhydrous ammonia, oxygen, nitrogen, argon and hydrogen.

Pressure Vessels. Pressure vessels are built primarily from high strength carbon steel plates which have been formed in one of our fabrication shops and are welded together at the job site. Pressure vessels are constructed in a variety of shapes and sizes, some weighing in excess of 700 tons, with wall thickness in excess of four inches. Existing customers represent a cross section of the petroleum, petrochemical, chemical, and pulp and paper industries, where process applications of high pressure and/or temperature are required. Typical pressure vessel usage includes process and storage vessels in the petroleum, petrochemical, and chemical industry; digesters in the pulp and paper industry; and egg-shaped digesters for wastewater treatment. We have designed and erected pressure vessels throughout the world.

Aboveground Storage Systems (Flat Bottom Tanks). Aboveground storage tanks are sold primarily to customers operating in the petroleum, petrochemical and chemical industries around the world. This industrial customer group includes nearly all of the major oil and chemical companies on every continent. Depending on the industry and application, flat bottom tanks can be used for storage of crude oil, refined

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products such as gasoline, raw water, potable water, chemicals, petrochemicals and a large variety of feedstocks for the manufacturing industry.

Water Storage and Treatment (Elevated Tanks). The water storage line includes single pedestal spheroid, fluted column and concrete elevated tanks, as well as standpipes and reservoirs. These products have a capacity range of 25,000 gallons to in excess of 30,000,000 gallons. These structures provide potable water reserves and supply pressure to the water distribution system. Products for water treatment include solids contact clarifiers and standpipe mixing systems.

Specialty and Other Structures. Our specialty and other structures are marketed to a diverse group of customers in such industries as metals and mining, power generation, telecommunications, aerospace, as well as government customers. Examples of specialty structures include processing facilities or components used in the iron, aluminum and mining industries, hydroelectric structures such as penstocks and spiral cases, and turnkey vacuum facilities (non-thermal) for testing prototype spacecraft, rocket engines and satellites before launch. In a recent highly technical project completed for the National Science Foundation, we produced stainless steel vacuum (non-thermal) beam tubes for the LIGO (Laser Interferometer Gravitational Wave Observatory) Project, which is designed to detect cosmic gravitational waves.

Turnarounds. A turnaround is a planned shutdown of a refinery, chemical plant or other process unit for repair and maintenance of equipment and associated systems. The work is usually scheduled on a multi-shift, seven day-per-week basis to minimize downtime of the facility. Personnel, materials and equipment must come together at precisely the right time to accomplish this labor-intensive operation. This service often requires short cycle times and unique construction procedures. We offer this service to our customers in the petroleum, petrochemical and chemical industries throughout the world.

Repairs and Modifications. Repair, maintenance and modification services are performed primarily on flat bottom tanks and pressure vessels. While we have focused on providing these services primarily in the United States, efforts are under way to expand these services throughout the world. Customers in the petroleum, chemical, petrochemical and water industries generally require these types of services.

Competition

We believe that we are a leading competitor in most of the products and services that we sell. Price, quality, reputation, safety record and timeliness of completion are the principal competitive factors within the industry. There are numerous regional, national and international competitors that offer products and services similar to ours.

Marketing And Customers

Through our global network of sales offices, we sell our products directly to hundreds of customers in a wide variety of industries. We rely primarily on direct contact between our technically qualified sales and engineering staff and our customers engineering and contracting departments. Dedicated sales representatives are located in each of our global offices.

Our largest customers, with many of whom we have had longstanding relationships, are primarily in the hydrocarbon sector and are inclusive of both major petroleum companies (*i.e.*, Shell, ExxonMobil and Conoco) and large engineering and construction companies (*i.e.*, Fluor, Bechtel, Kellogg Brown & Root and Technip-Coflexip).

We are not dependent upon any single customer on an ongoing basis and the loss of any single customer would not have a material adverse effect on our business. No single customer accounted for over 10% of our revenues during the last two years.

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Backlog/ New Business Taken

We had a backlog of work to be completed on contracts of $997 million as of March 31, 2002 compared with $835 million as of December 31, 2001. Due to the timing of awards and the sometimes long-term nature of our projects, certain backlog of our work may not be completed in the current fiscal year. New business taken increased 70% to $1.2 billion for the year ended December 31, 2001 compared with $681 million for the year ended December 31, 2000.

New Business Taken

	Years Ended December 31,	
	2001	2000
	(In thousands)	
North America	$ 818,459	$384,346
Europe, Africa, Middle East	87,724	82,690
Asia Pacific	105,788	57,033
Central and South America	148,403	156,707
Total New Business Taken	$1,160,374	$680,776

Types of Contracts

Contracts are usually awarded on a competitive bid basis. We are primarily a fixed-price, lump-sum contractor. Our significant experience in estimating and controlling project costs, combined with our knowledge of international logistics and execution, enable us to define and control the risks of fixed-price contracts.

Raw Materials and Suppliers

The principal raw materials that we use are metal plate and structural steel. These materials are available from numerous suppliers worldwide. We do not anticipate having difficulty obtaining adequate amounts of raw materials in the foreseeable future.

Environmental Matters

Our operations are subject to extensive and changing federal, state and foreign laws and regulations establishing health and environmental quality standards, including those governing discharges and pollutants into the air and water and the management and disposal of hazardous substances and wastes. We are also subject to laws and regulations governing remediation of contamination at facilities that we currently or formerly owned or operated or to which we send hazardous substances or wastes for treatment, recycling or disposal. We believe that we are currently in compliance, in all material respects, with all environmental laws and regulations.

Patents

We hold patents and licenses for certain items incorporated into our products. However, none is so essential that its loss would materially affect our businesses. We continue to market our innovative tank building process called CoilBuild™ in which the tank shell is formed from continuous steel coils rather than individual plates. CoilBuild is particularly suited for smaller-diameter, stainless steel tanks used in certain petrochemical, chemical, pharmaceutical and food applications where corrosion resistance and cleanliness are vital. We have exclusive rights to the CoilBuild process in North America.

Employees

We employed more than 7,200 persons as of December 31, 2001. Approximately 15% of our worldwide employees are represented by unions. Our unionized subsidiary, CBI Services, Inc., has agreements with various unions representing groups of its employees. The largest agreement is with the Boilermakers Union which represents some of our welders. We have multiple contracts with various Boilermakers Unions across the country, and each contract has a three-year term.

We enjoy good relations with our unions and have not experienced a significant work stoppage in any of our facilities in over ten years. Additionally, to preserve our project management and technological expertise as core competencies, we recruit, develop and maintain ongoing training programs for engineers and field supervision personnel.

Properties

We own or lease the properties used to conduct our business. The capacities of these facilities depend upon the composition of products being fabricated and constructed. As the product composition is constantly changing, the extent of utilization of these facilities cannot be accurately stated. We believe these facilities are adequate to meet our current requirements. The following list summarizes our principal properties:

Location	Type of Facility	Interest
North America		
Beaumont, Texas	Engineering, fabrication facility, operations and administrative office	Owned
Beggs, Oklahoma	Fabrication facility	Owned
Clive, Iowa	Fabrication facility, warehouse, operations and administrative office	Owned
Everett, Washington	Fabrication facility, warehouse, operations and administrative office	Leased
Fort Saskatchewan, Canada	Warehouse, operations and administrative office	Owned
Houston, Texas(1)	Engineering, fabrication facility, warehouse, operations and administrative office	Owned
Kankakee, Illinois	Warehouse	Owned
Liberty, Texas	Fabrication facility	Leased
Pittsburgh, Pennsylvania	Warehouse	Owned
Plainfield, Illinois(2)	Engineering, operations and administrative office	Leased
Provo, Utah	Fabrication facility, warehouse, operations and administrative office	Owned
San Luis Obispo, California	Warehouse and fabrication facility	Owned
Tulsa, Oklahoma	Engineering, fabrication facility, operations and administrative office	Leased
Tyler, Texas	Engineering, fabrication facility, operations and administrative office	Owned
Warren, Pennsylvania	Fabrication facility	Leased
The Woodlands, Texas(3)	Engineering, operations and administrative office	Leased
Europe, Africa, Middle East		
Al Aujam, Saudi Arabia	Fabrication facility and warehouse	Owned
Dubai, United Arab Emirates	Engineering, operations, administrative office and warehouse	Leased
Hoofddorp, Netherlands	Principal executive office	Leased
Secunda, South Africa	Fabrication facility and warehouse	Leased

Location	Type of Facility	Interest
Asia Pacific		
Batangas, Philippines	Fabrication facility and warehouse	Leased
Cilegon, Indonesia	Fabrication facility and warehouse	Leased
Kwinana, Australia	Fabrication facility, warehouse and administrative office	Owned
Laem Chabang, Thailand	Warehouse, operations and administrative office	Leased
Central and South America		
Caracas, Venezuela	Administrative and engineering office	Leased
Puerto Ordaz, Venezuela	Fabrication facility and warehouse	Leased

(1) Warehouse and administrative office are held for sale.

(2) Sold and leased back to us on June 30, 2001.

(3) We have announced plans to construct a new administrative office in the Woodlands, Texas. We are considering a sale and leaseback or similar financing structure for this facility at a future date.

We also own or lease a number of sales, administrative and field construction offices, warehouses and equipment maintenance centers strategically located throughout the world.

Legal Proceedings

On October 25, 2001, the U.S. Federal Trade Commission (FTC) announced its decision to file an administrative complaint (the Complaint) challenging our February 2001 acquisition of certain assets of the Engineered Construction Division of PDM. The Complaint alleges that the acquisition violated Federal antitrust laws by substantially lessening competition in certain field erected specialty industrial storage tank product lines in the United States: LNG tanks, LPG tanks, LIN/ LOX/ LAR tanks, and thermal vacuum chambers. The FTC is seeking various remedies, including an order that would require us to divest sufficient assets and personnel to re-establish two distinct and separate viable competing businesses engaged in the design, engineering, fabrication, construction and sale of the relevant product lines.

We believe that the Complaint is without merit and on February 4, 2002 filed a formal answer denying the substantive allegations of the Complaint. While we expect the impact of the FTC proceeding on our earnings will be minimal in 2002, we are unable to assess the ultimate outcome of the litigation or potential effect of any divestiture order or other remedy on our business, financial condition and results of operation.

We are a defendant in various other legal actions arising in the normal course of business, the outcomes of which after provisions therefor, in the opinion of our management, neither individually nor in the aggregate are likely to result in a material adverse effect on our business, results of operations or financial condition.

MANAGEMENT

The following table sets forth certain information regarding the Supervisory Directors of CB&I N.V., the executive officers of Chicago Bridge & Iron Company (CBIC) and the Managing Directors of Chicago Bridge & Iron Company B.V. (CB&I B.V.). As permitted under the law of The Netherlands, CB&I N.V. does not have executive officers. CB&I B.V. serves as the Managing Director of CB&I N.V.

Name	Age	Position(s)
Gerald M. Glenn	59	Chairman of the Supervisory Board of CB&I N.V.; Chairman, President and Chief Executive Officer and Director of CBIC Chairman, President and Chief Executive Officer and Managing Director of CB&I B.V.
Jerry H. Ballengee	64	Supervisory Director
Anthony P. Banham	58	Supervisory Director
Ben A. Guill	51	Supervisory Director
J. Charles Jennett	61	Supervisory Director
Vincent L. Kontny	64	Supervisory Director
Gary L. Neale	62	Supervisory Director
L. Donald Simpson	66	Supervisory Director
William H. White	47	Supervisory Director
Marsha C. Williams	51	Supervisory Director
Michael D. Winfield	63	Supervisory Director
Philip K. Asherman	50	Executive Vice President and Chief Marketing Officer of CBIC; Managing Director of CB&I B.V.
David P. Bordages	51	Vice President Human Resources and Administration of CBIC
Stephen P. Crain	48	President Western Hemisphere Operations of CBIC; Managing Director of CB&I B.V.
Richard E. Goodrich	57	Executive Vice President and Chief Financial Officer of CBIC; Managing Director of CB&I B.V.
Robert B. Jordan	51	Executive Vice President and Chief Operating Officer of CBIC; Managing Director of CB&I B.V.
Tom C. Rhodes	48	Vice President, Corporate Controller and Chief Accounting Officer of CBIC
Robert H. Wolfe	52	Secretary of CB&I N.V.; Vice President, General Counsel and Secretary of CBIC; Secretary of CB&I B.V.

There are no family relationships between any executive officers and Supervisory Directors. Executive officers of CBIC are elected annually by the CBIC Board of Directors. The Managing Directors of CB&I B.V. serve until successors are elected.

Gerald M. Glenn has served as Chairman of the Supervisory Board of CB&I N.V. since April 1997. He has been President and Chief Executive Officer of CBIC since May 1996, and has been a Managing Director of CB&I B.V. since March 1997. Since April 1994, Mr. Glenn has been a principal in The Glenn Group LLC. From November 1986 to April 1994, he served as Group President-Fluor Daniel, Inc.

Jerry H. Ballengee has served as a Supervisory Director of the Company since April 1997. Since October, 2001 he has served as Chairman of the Board of Morris Material Handling Company (MMH). Mr. Ballengee served as President and Chief Operating Officer of Union Camp Corporation from July 1994 to May 1999 and served in various other executive capacities and as a member of the Board of

Directors of Union Camp Corporation from 1988 to 1999 when the company was acquired by International Paper Company.

Anthony P. Banham has served as a Supervisory Director since May 10, 2002. He is Vice Chairman of Simmons & Company International, an investment banking firm located in Houston, Texas that focuses on the oil service and equipment industry. Mr. Banham has been with Simmons & Company since 1976. Prior to joining Simmons & Company, he spent nine years working for Hawker Siddeley Aviation Ltd. in a variety of management capacities. He is past President of the British American Business Association in Houston, a member of the Awty International School Board of Trustees, and a member of the Board of Trustees of the Houston Museum of Natural Science.

Ben A. Guill has served as a Supervisory Director of the Company since January 2001. He is the President of First Reserve Corporation, a Connecticut-based private equity investment firm, where he has served since October 1998. First Reserve Corporation is the general partner of First Reserve Fund VIII, L.P. Prior to joining First Reserve Corporation, Mr. Guill was a Partner and Managing Director of Simmons & Company International, an investment banking firm located in Houston, Texas which focuses on the oil service and equipment industry. Mr. Guill had been with Simmons & Company since 1980. He is a member of the board of directors of National-Oilwell, Inc., the leading international provider of drilling systems and associated services to the oil and gas exploration and production industry; Superior Energy Services, Inc., a provider of production-oriented services to the Gulf Coast oil and gas industry; Destiny Resource Services Corporation, a Calgary-based, front end service company for the oil and gas industry; Dresser, Inc., a provider of highly engineered equipment and services primarily for the energy industry; T-3 Energy Services, Inc., a diversified manufacturing and distribution company serving the Gulf Coast oil and gas industry; and TransMontaigne Inc., an oil terminaling and transportation company. Mr. Guill received his Bachelor of Arts Degree from Princeton University and his Masters Degree in Finance from the Wharton School of Business at the University of Pennsylvania.

J. Charles Jennett has served as a Supervisory Director of the Company since April 1997. Dr. Jennett is a private engineering consultant. He has served as President of Texas A&M International University from 1996 to 2001, when he became President Emeritus. He was Provost and Vice President of Academic Affairs at Clemson University from 1992 through 1996.

Vincent L. Kontny has served as a Supervisory Director of the Company since April 1997. He has served since April 2000 as Chief Operating Officer of Washington Group International, which filed a petition under Chapter 11 of the U.S. Bankruptcy Code on May 14, 2001. Since 1992 he has been the owner and CEO of the Double Shoe Cattle Company. Mr. Kontny was President and Chief Operating Officer of Fluor Corporation from 1990 until September 1994.

Gary L. Neale has served as a Supervisory Director of the Company since April 1997. He is currently President, CEO and Chairman of the Board of NiSource, Inc., whose primary business is the distribution of electricity, gas and water through utility companies. Mr. Neale has served as a director of NiSource, Inc. since 1991, a director of Northern Indiana Public Service Company since 1989, and a director of Modine Manufacturing Company (heat transfer products) since 1977.

L. Donald Simpson has served as a Supervisory Director of the Company since April 1997. From December 1996 to December 1999, Mr. Simpson served as Executive Vice President of Great Lakes Chemical Corporation. Prior thereto, beginning in 1992, he served in various executive capacities at Great Lakes Chemical Corporation.

William H. White has served as a Supervisory Director of the Company since January 2001. He has been the President, Chief Executive Officer and Vice Chairman of the Board of Directors of WEDGE Group Incorporated since April 1997. WEDGE is a diversified firm with subsidiaries in engineering and construction, hotel, oil and gas, and real estate businesses. Mr. White served as Deputy Secretary and Chief Operating Officer of the Department of Energy from 1993 to 1995. Prior to his service at the Department of Energy, Mr. White practiced law and served on the management committee of the law firm of Susman Godfrey L.L.P. and taught law at the University of Texas at Austin. Mr. White is the founder

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and Chairman of the Board of Frontera Resources, an international energy company with projects in emerging markets. Mr. White serves on the boards of TGC Industries, Inc., Pioneer Drilling Company and North American Electric Reliability.

Marsha C. Williams has served as a Supervisory Director of the Company since April 1997. Since May 1998, she has served as Chief Administrative Officer of Crate & Barrel, a specialty retail company. Prior to that, she served as Vice President and Treasurer of Amoco Corporation from December 1997 to May 1998, and Treasurer from 1993 to 1997. Ms. Williams is a director of Selected Funds, Davis Funds and Modine Manufacturing Company (heat transfer products).

Michael D. Winfield has served as a Supervisory Director of the Company since January 2001. He has been a member of the Board of Managers of UOP L.L.C., a general partnership of Honeywell International Inc. and Dow Chemical Corporation engaged in the licensing of technologies to the oil refining and petrochemical industries since January 2001. From February 1992 until January 2001, he was President and Chief Executive Officer of UOP. Mr. Winfield has served as a director of Landauer Inc. (a firm providing services related to radiation monitoring) since 1994. Mr. Winfield holds a degree in Chemical Engineering from Ohio State University and an M.B.A. from the University of Chicago.

Philip K. Asherman has been Executive Vice President and Chief Marketing Officer of CBIC since August 2001. From May 2001 to July 2001, he was Vice President Strategic Sales, Eastern Hemisphere of CBIC. Prior thereto, Mr. Asherman was Senior Vice President of Fluor Global Services and held other executive positions with Fluor Daniel, Inc. operating subsidiaries.

David P. Bordages has been the Vice President Human Resources and Administration of CBIC since February 2002. Prior to that time, Mr. Bordages was Vice President Human Resources of the Fluor Corporation from April 1989 through February 2002.

Stephen P. Crain has been President-Western Hemisphere Operations of CBIC since August 2001 and a Managing Director of CB&I B.V. since August 1998. From November 2000 to July 2001, he was Executive Vice President and Chief Marketing Officer of CBIC. From July 1997 to November 2000, Mr. Crain was Vice President Global Sales and Marketing of CBIC. Prior to that time, Mr. Crain was employed by CBIC or its affiliates in an executive or management capacity.

Richard E. Goodrich has been the Executive Vice President and Chief Financial Officer of CBIC since July 2001. From November 2000 to July 2001, he was Group Vice President Western Hemisphere Operations of CBIC. From February 1999 to November 2000, Mr. Goodrich was Vice President Financial Operations of CBIC. Mr. Goodrich was the Vice President Area Director of Finance, Western Hemisphere for CBIC from June 1998 through February 1999. Prior to that time, Mr. Goodrich was the Director of Strategic Planning Energy and Chemicals Group of Fluor Daniel, Inc.

Robert B. Jordan has been the Executive Vice President of CBIC since November 2000 and the Chief Operating Officer of CBIC since March 2000 and a Managing Director of CB&I B. V. since February 1998. From February 1998 to November 2000, Mr. Jordan was Vice President Operations of CBIC. From May 1996 to February 1998, Mr. Jordan was the Senior Vice President Sales and Operations for the Process Division of BE&K Incorporated located in Birmingham, Alabama. Prior to that time, Mr. Jordan was the Senior Vice President Sales and Operations for the Process and Industrial Division of Rust Engineering & Construction Inc.

Tom C. Rhodes has been the Corporate Controller of CBIC since August 2001. From November 2000 to August 2001, Mr. Rhodes was Vice President Financial Operations for CBIC and from February 1999 to November 2000, he was Vice President Area Director of Finance, Western Hemisphere of CBIC. Prior to that time, he was Finance Director of Americas Region for Fluor Daniel, Inc.

Robert H. Wolfe has been the Vice President, General Counsel and Secretary of CBIC since November 1996, and the Secretary of CB&I N.V. since its inception. From June 1996 to November 1996, Mr. Wolfe served as a private consultant to Rust Engineering & Construction Inc. (Rust). Prior to that time, he served as Vice President, General Counsel and Secretary to Rust.

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PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information as of April 2, 2002 regarding the beneficial ownership of our common stock immediately prior to the offering, and as adjusted to reflect the sale of the common stock being offered hereby (assuming no exercise of the underwriters over-allotment option), by (i) each person known to us who owns beneficially or of record more than five percent (5%) of our common stock, (ii) each selling shareholder, (iii) each Supervisory Director, (iv) each executive officer and (v) all directors and executive officers as a group. The information is based on 21,054,371 shares of common stock outstanding as of April 2, 2002 and 21,654,371 shares of common stock outstanding after the offering.

	?Shares Beneficially Owned Prior to the Offering			Shares Beneficially Owned after the Offering	
Name and Address of Beneficial Owner	**Number(1)**	**%**	**Shares Offered**	**Number(1)**	**%**
5% Shareholders and Selling Shareholders					
First Reserve Fund VIII, L.P.(2)	6,810,895	32.3	0	6,810,895	31.5
c/o First Reserve Corporation					
475 Steamboat Road					
Greenwich, CT 06830					
WEDGE Engineering B.V.(3)	3,852,764	18.3	2,000,000	1,852,764	8.6
Keizer Karelweg 474					
1181 RL Amstelveen					
The Netherlands					
William H. White(4)	163,406	*	100,000	63,406	*
WEDGE International Tower					
1415 Louisiana Street					
Suite 3000					
Houston, TX 77002					
Directors and Executive Officers(5)					
Gerald M. Glenn	919,994	4.4	0	919,994	4.2
Philip K. Asherman	17,916	*	0	17,916	*
David P. Bordages		*	0		*
Stephen P. Crain	54,839	*	0	54,839	*
Richard E. Goodrich	18,811	*	0	18,811	*
Robert B. Jordan	119,069	*	0	119,069	*
Tom C. Rhodes	2,841	*	0	2,841	*
Robert H. Wolfe	55,159	*	0	55,159	*
Jerry H. Ballengee	9,486	*	0	9,486	*
Anthony P. Banham	1,000	*	0	1,000	*
Ben A. Guill	2,000	*	0	2,000	*
J. Charles Jennett	7,500	*	0	7,500	*
Vincent L. Kontny	6,500	*	0	6,500	*
Gary L. Neale	6,500	*	0	6,500	*
L. Donald Simpson	6,500	*	0	6,500	*
Marsha C. Williams	7,500	*	0	7,500	*
Michael D. Winfield	2,000	*	0	2,000	*
All directors and executive officers as a group (18 persons)	1,401,021	6.7	0	1,301,021	6.0

(1) For purpose of this table, a person or group of persons is deemed to have beneficial ownership of any shares as of a given date which such person has the right to acquire within 60 days after that date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any shares that the person or persons have the right to acquire within 60 days after such date is not deemed to be outstanding for the purposes of computing the percentage ownership of that or any other person.

(2) First Reserve Corporation is the general partner of First Reserve Fund VIII, L.P. The following are executive officers of First Reserve Corporation: William E. Macaulay is the Chairman, a Managing Director and Chief Executive Officer; Ben A. Guill is the President and a Managing Director; John A. Hill is Vice Chairman and a Managing Director; Thomas R. Denison is General Counsel, Secretary and a Managing Director; J.W.G. Will Honeybourne is a Managing Director; and Jennifer G. Kornfield is Vice President, Treasurer and Chief Financial Officer. Messrs. Macaulay, Guill and Hill are the directors of First Reserve Corporation. It is anticipated that pursuant to authority from First Reserve Corporation s board of directors, Messrs. Macaulay and Guill may make investment and voting decisions with respect to the shares owned by First Reserve Fund VIII, L.P. In the absence of Messrs. Macaulay and Guill, other officers of First Reserve Corporation may, pursuant to authority from the board of directors, make investment and voting decisions with respect to such shares. All such persons disclaim beneficial ownership of the shares held by First Reserve Fund VIII, L.P.

(3) The sole ultimate beneficial owner of WEDGE Engineering is Issam M. Fares of Lebanon.

(4) Mr. White is currently also a Supervisory Director, as a designee of WEDGE pursuant to the WEDGE Shareholder Agreement (see below).

(5) As to directors and executive officers, shares deemed beneficially owned include (i) shares held by immediate family members, (ii) shares that can be acquired through stock options exercised through June 30, 2002, (iii) shares subject to a vesting schedule, forfeiture risk and other restrictions, including restricted stock units for which the participant has voting rights on the underlying stock, and, in the case of Mr. Glenn, 621,338 shares as to which he has fully vested rights to future delivery of the shares.

* Beneficially owns less than one percent of our common stock.

As described below, WEDGE currently has two designees, William H. White, one of the selling shareholders, and Michael D. Winfield, serving on our Supervisory Board pursuant to the terms of the WEDGE Shareholder Agreement described below, but such designees will automatically resign if the offering contemplated by this prospectus is consummated.

Shareholder Agreements

We are party to (i) a Shareholder Agreement dated as of December 28, 2000 (as amended by an Amendment thereto dated as of February 7, 2001) among First Reserve, CB&I N.V. and certain of our shareholders (the First Reserve Shareholder Agreement), and (ii) a Shareholder Agreement dated as of December 28, 2000 (as amended by an Amendment thereto dated as of February 7, 2001) among WEDGE, CB&I N.V. and certain of our shareholders (the WEDGE Shareholder Agreement).

First Reserve Shareholder Agreement. Under the First Reserve Shareholder Agreement, First Reserve and its affiliates are subject to certain standstill provisions which, without the written consent of the Supervisory Board, prohibit, among other things, (a) the purchase of additional shares by First Reserve and its affiliates except in order to maintain a 10.1% ownership stake (and to allow First Reserve and its affiliates to participate in certain other transactions approved by the Supervisory Board, such as a stock split, recapitalization or business combination), and (b) acquisition proposals, proxy solicitations, group formation or encouragement of third parties for takeover purposes. In addition, First Reserve and its affiliates are subject to restrictions on their voting rights relating to matters presented to our shareholders for vote or approval: (i) First Reserve and its affiliates are obligated to vote for the Supervisory Board nominees recommended by the Supervisory Board, provided we are in compliance with our covenants to

First Reserve relating to Supervisory Board representation (see below), and (ii) First Reserve and its affiliates are obligated to vote for any proposal recommended by the Supervisory Board and against any proposal that is not recommended by the Supervisory Board, with limited exceptions for certain matters as to which First Reserve and its affiliates have sole discretionary voting rights. In the case of any business combination, recapitalization or other transaction that involves the issuance of common stock, if both of the First Reserve designees then serving on the Supervisory Board vote against approval of such transaction at the Supervisory Board level, then First Reserve and its affiliates, in any shareholder vote, are permitted to vote the shares they acquired in connection with the PDM acquisition transaction in the same proportion as the votes of our shareholders, other than First Reserve and WEDGE, who vote upon the transaction.

Pursuant to the First Reserve Shareholder Agreement, First Reserve has the right to designate two Supervisory Directors (currently Messrs. Banham and Guill) so long as First Reserve and its affiliates own at least 3,083,871 of our issued and outstanding shares and the right to designate one Supervisory Director as long as First Reserve and its affiliates own at least 10% of our issued and outstanding shares.

Under the First Reserve Shareholder Agreement and subject to limited exceptions, First Reserve and its affiliates are subject to restrictions on the transfer of their shares, including the restriction that, without our consent, First Reserve and its affiliates may not sell any of their shares to (i) any person or group who is or would be required to file a Schedule 13D under the Securities Exchange Act of 1934, (ii) any person or group who would, as a result of such transfer, own more than 10% of our voting securities, or (iii) a competitor of ours. Certain other sales of shares by First Reserve and its affiliates will be subject to our right of first offer. Finally, First Reserve has been granted two demand and unlimited piggyback registration rights relating to its shares.

WEDGE Shareholder Agreement. Under the WEDGE Shareholder Agreement, WEDGE and its affiliates are subject to certain standstill provisions which, without the written consent of the Supervisory Board, prohibit, among other things, (a) the purchase of additional shares by WEDGE and its affiliates except in order to maintain a 10.1% ownership stake (and to allow WEDGE and its affiliates to participate in certain other transactions approved by the Supervisory Board, such as a stock split, recapitalization or business combination), and (b) acquisition proposals, proxy solicitations, group formation or encouragement of third parties for takeover purposes. In addition, WEDGE and its affiliates are subject to restrictions on their voting rights relating to matters presented to our shareholders for vote or approval: (i) WEDGE and its affiliates are obligated to vote for the Supervisory Board nominees recommended by the Supervisory Board, provided we are in compliance with our covenants to WEDGE relating to Supervisory Board representation (see below), and (ii) WEDGE and its affiliates are obligated to vote for any proposal recommended by the Supervisory Board and against any proposal that is not recommended by the Supervisory Board, with limited exceptions for certain matters as to which WEDGE and its affiliates have sole discretionary voting rights. In the case of any business combination, recapitalization or other transaction that involves the issuance of common stock, if all of the WEDGE designees then serving on the Supervisory Board vote against approval of such transaction at the Supervisory Board level, then WEDGE and its affiliates, in any shareholder vote, are permitted to vote the shares they acquired in connection with the PDM acquisition transaction in the same proportion as the votes of our shareholders, other than WEDGE and First Reserve, who vote upon the transaction.

Pursuant to the WEDGE Shareholder Agreement and subject to limited exceptions, WEDGE has the right to designate two Supervisory Directors (currently Messrs. White and Winfield) so long as WEDGE and its affiliates own at least 17 1/2% of our issued and outstanding shares and the right to designate one Supervisory Director as long as WEDGE and its affiliates own at least 10% of our issued and outstanding shares.

Under the WEDGE Shareholder Agreement and subject to limited exceptions, WEDGE and its affiliates are subject to restrictions on the transfer of their shares, including the restriction that, without our consent, WEDGE and its affiliates may not sell any of their shares to (i) any person or group who is or would be required to file a Schedule 13D under the Securities Exchange Act of 1934, (ii) any person or

group who would, as a result of such transfer, own more than 10% of our voting securities, or (iii) a competitor of ours. Certain other sales of shares by WEDGE and its affiliates will be subject to our right of first offer. Finally, in addition to the registration of the shares covered by this prospectus, WEDGE and its affiliates and assignees (WEDGE Holders) have been granted one additional demand and unlimited piggyback registration rights relating to their shares.

We have agreed under the WEDGE Shareholder Agreement to pay $400,000 of registration expenses in connection with the exercise by WEDGE Holders of their demand registration rights, but excluding (i) any sales commissions or discounts relating to shares being offered by WEDGE Holders, (ii) any transfer taxes relating to such shares, and (iii) the fees and disbursements of their legal counsel, which are to be paid by the WEDGE Holders. In addition, we are obligated under the WEDGE Shareholder Agreement to pay registration expenses with respect to piggyback registrations of WEDGE Holders.

Each of First Reserve and WEDGE has made representations and warranties to us in its Shareholder Agreement that it has no arrangement, contract, understanding or relationship with the other with respect to voting power or investment power relating to our shares.

In the event of a breach by First Reserve or WEDGE or any of their affiliates of any standstill or other provision in their respective Shareholder Agreements, we and/or our other shareholders may seek injunctive relief. However, as the relief is equitable in nature and at the discretion of the court in which the action is brought, there can be no assurance that the court will grant such relief.

If the offering contemplated by this prospectus is consummated, WEDGE and its affiliates will own less than 10% of our issued and outstanding shares. Pursuant to its terms, the WEDGE Shareholder Agreement terminates (except for certain indemnification provisions) on the date on which WEDGE and its affiliates no longer own at least 10% of our issued and outstanding shares, provided that WEDGE Holders will continue to have the registration rights described above relating to their remaining shares as long as WEDGE Holders own in the aggregate at least 5% of our issued and outstanding shares. As a consequence, the standstill , voting and transfer restrictions described above will terminate if the offering contemplated by this prospectus is consummated. Moreover, if WEDGE and its affiliates own less than 10% of our issued and outstanding shares for 30 consecutive days, WEDGE will no longer be entitled to designate any nominee to the Supervisory Board and WEDGE s current designees will be deemed by internal regulation of the Supervisory Board to have automatically resigned.

DESCRIPTION OF CAPITAL STOCK

General

CB&I N.V. was organized under the law of The Netherlands as a public company with limited liability (naamloze vennootschap) by Deed of Incorporation dated November 22, 1996. CB&I N.V. is registered in the trade register of Amsterdam under No. 33.286.441. Set forth below is a summary of certain provisions relating to our shares of common stock, par value Euro 0.01 (common shares), contained in our Articles of Association, as amended (our Articles of Association), and the law of The Netherlands. Such summary does not purport to be a complete statement of our Articles of Association and the law of The Netherlands and is qualified in its entirety by reference to our Articles of Association.

Our authorized share capital was increased pursuant to a May 14, 2002 amendment to our Articles of Association from Euro 350,000 to Euro 800,000 consisting of 80,000,000 common shares, each with a par value of Euro .01. Until such amendment, common shares could be issued in either registered or bearer form. Since such amendment, common shares are issued in registered form only. The common shares registered in the New York registry (New York Shares) are listed on The New York Stock Exchange. Shareholders may hold New York Shares directly (evidenced by an entry/registration in the New York Registry and, if applicable, certificates received for those Shares) or through the Depository Trust Company (either as participant in such system or indirectly through organizations that are participants in

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such system). To the extent not registered in the New York registry, common shares will be registered in the shareholders register kept in Hoofddorp, The Netherlands.

Voting Rights

Generally, each shareholder is entitled to one vote for each common share held on every matter submitted to a vote of shareholders. Our Articles of Association make no provision for cumulative voting and, as a result, the holders of a majority of our voting power will have the power, subject to the Supervisory Board s right to make binding nominations, to elect all members of the Supervisory Board and the Management Board who are standing for election.

Unless otherwise required by our Articles of Association or the law of The Netherlands or as described below, resolutions of a general meeting of shareholders occurring in The Netherlands require the approval of a majority of the votes cast at a meeting. Our Articles of Association require that, at a time when there are one or more holders of more than 15% of our outstanding voting securities (each an affiliated holder), certain business combination transactions, dissolution, liquidation, stock dividend, share repurchase, recapitalization transactions or transactions involving a person who is or has been an affiliated holder, which transactions otherwise require a shareholder vote for approval, will require the approval of a supermajority percentage (at least 80%) of our voting securities outstanding. While this provision may negate the ability of an affiliated holder to control a decision to sell the Company and also make it more difficult to obtain shareholder approval for certain types of business combination transactions (e.g., certain legal mergers under Dutch law) requiring a shareholder vote, this requirement would not affect the ability of an acquiror to obtain control of the Company through a tender offer or other type of business combination transaction not requiring such a shareholder vote.

Resolutions of general meetings of shareholders occurring outside The Netherlands are valid if the entire share capital is present or represented (unless voting rights have been transferred to holders of life interests). There are no laws currently in effect in The Netherlands or provisions in our Articles of Association limiting the rights of non-resident investors to hold or vote common shares.

Dividends

CB&I expects to pay any dividends or distributions in U.S. dollars. Any cash dividends or distributions payable to holders of New York Shares will be paid to the New York Transfer Agent and Registrar.

Shareholder Meetings

Each shareholder has the right to attend general meetings of shareholders, either in person or represented by a person holding a written proxy, to address shareholder meetings, and to exercise voting rights, subject to the provisions of our Articles of Association. Our ordinary general meetings of shareholders are held in The Netherlands at least annually, within six months after the close of each financial year. Extraordinary general meetings of shareholders may be held as often as the Management Board or the Supervisory Board deem necessary, or as otherwise provided for pursuant to the law of The Netherlands. Shareholders representing 10% of our issued shares may request that the Management Board convene an extraordinary general meeting and the subjects to be discussed.

We provide notice by mail to registered holders of common shares of each general meeting of shareholders. Such notice will be given no later than the fifteenth day prior to the day of the meeting and will include a statement of the business to be considered. The New York Transfer Agent and Registrar will provide notice of general meetings of shareholders to, and compile voting instructions from, holders of New York Shares. Registered shareholders must notify the Management Board in writing of their intention to attend a shareholder meeting.

Election and Tenure of Managing Directors and Supervisory Directors

The Management Board is entrusted with the management of the Company. The Supervisory Board supervises the Management Board. The Management Board may have one or more members and the Supervisory Board may have at least six and no more than 12 members. Supervisory Board and Management Board vacancies are and will be filled by a vote of shareholders at the first general meeting after such vacancy occurs or is created. The Supervisory Board and the Management Board members are elected from binding nominations made by the Supervisory Board. At least two persons must be nominated for each vacancy. Under the law of The Netherlands and our Articles of Association, the shareholders may deprive the nominations of their binding effect by a resolution passed by a vote of two-thirds of the votes cast at the meeting if such two-thirds vote constitutes more than one-half of our issued share capital.

The general meeting of shareholders may suspend or dismiss a member of the Management Board at any time. However, if the Supervisory Board does not propose such suspension or dismissal, the general meeting of shareholders must pass a resolution based on a majority of two-thirds of the votes cast if such two-thirds vote represents more than half of our issued share capital. The Supervisory Board may suspend a member of the Management Board at any time. The general meeting of shareholders may discontinue such suspension at any time. In addition, the Supervisory Board shall determine the remuneration and terms of employment of every member of the Management Board.

Members of the Supervisory Board are appointed to serve three-year terms with approximately one-third of such members terms expiring each year. Supervisory Directors and Managing Directors serve until the expiration of their respective terms of office or their resignation, death or removal, with or without cause, by the shareholders or, in the case of Supervisory Directors, upon reaching the mandatory retirement age of 72 (which statutory maximum age was abolished as of April 23, 2002 pursuant to recently enacted legislation in The Netherlands but was retained in our Articles of Association).

Subject to our Articles of Association, the Supervisory Board may adopt rules and regulations governing its internal proceedings and especially pertaining to voting, including voting on nomination of Supervisory Directors, and provisions relating to Supervisory Board composition and governance and to give effect to matters agreed upon in shareholder agreements. See Principal and Selling Shareholders Shareholder Agreements above.

Approval of Annual Accounts and Discharge of Management Liability

Each year, the Management Board is responsible for the preparation of annual accounts. The annual accounts must be approved and signed by all members of the Supervisory Board and then submitted to a general meeting of shareholders for adoption within five months after the end of our financial year, unless the general meeting of shareholders has extended this period due to special circumstances.

Pursuant to a recent amendment of Dutch law, adoption of a company s annual accounts by the general meeting of shareholders no longer automatically discharges the members of the Management Board and the Supervisory Board from liability in respect of the exercise of their duties during the financial year concerned. However, we generally expect to propose such discharge as a separate agenda item at each annual general meeting of shareholders.

Liquidation Rights

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses will be distributed among holders of common shares on a *pro rata* basis.

Issue of Shares; Preemptive Rights

Under the law of The Netherlands and our Articles of Association, the Supervisory Board may issue common shares when the Supervisory Board is so empowered by the general meeting of shareholders. Under the law of The Netherlands, such authorization can be granted for a maximum period of five years, subject to extension(s). Under the law of The Netherlands and our Articles of Association, each holder of

common shares generally has a preemptive right to subscribe with regard to any issue of common shares *pro rata* to the shareholder s existing holdings of common shares, except for certain issuances to employees, issuances for non-cash consideration, issuances to persons who exercise a previously acquired right to subscribe for common shares, and issuances limited or excluded from such requirement by the Supervisory Board when the Supervisory Board is so empowered by the general meeting of shareholders. Under the law of The Netherlands, such authorization to limit or exclude preemptive rights can be granted for a maximum period of five years, subject to extension(s).

Repurchase of Common Shares

The shareholders may delegate to the Management Board the authority, subject to certain restrictions contained in the law of The Netherlands and our Articles of Association, to cause the Company to acquire its own fully paid common shares in an amount not to exceed 10% of the issued shares at any time. Such authorization may not be granted for more than 18 months.

Capital Reduction

Upon proposal by the Management Board (after approval by the Supervisory Board), the general meeting of shareholders may reduce the issued share capital by cancellation of common shares held by the Company, subject to certain statutory provisions.

Amendment of Our Articles of Association

Our Articles of Association may be amended by a majority of the votes cast at a general meeting of shareholders if the proposal is stated in the convocation notice for the general meeting and a complete copy of the proposed amendment is filed at our office so that it may be inspected prior to the meeting. Proposals to amend our Articles of Association, to legally merge the Company, or to dissolve the Company require prior approval by the Supervisory Board. Notwithstanding the foregoing, no amendment of our Articles of Association shall become effective until approved by the Ministry of Justice of The Netherlands.

TAXATION

The following discussion of certain Dutch tax issues is included for general information purposes only and does not address every potential tax consequence of an investment in the common shares under the laws of The Netherlands. EACH SHAREHOLDER AND PROSPECTIVE INVESTOR SHOULD CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF ACQUIRING, OWNING AND DISPOSING OF COMMON SHARES.

Dutch Taxation for Non-Resident Shareholders

Withholding Tax. Dividends distributed by CB&I N.V. generally are subject to a withholding tax imposed by The Netherlands at a rate of 25%. The expression dividends distributed by CB&I N.V. as used herein includes, but is not limited to: (i) distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognized for Netherlands dividend withholding tax purposes; (ii) liquidation proceeds, proceeds from the redemption of common shares or, as a rule, consideration for the repurchase of common shares by CB&I N.V. in excess of the average paid-in capital recognized for Netherlands dividend withholding tax purposes; (iii) the par value of shares issued to a holder of common shares or an increase of the par value of common shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Netherlands dividend withholding tax purposes, has been made or will be made; and (iv) partial repayment of paid-in capital, recognized for Netherlands dividend withholding tax purposes, if and to the extent that there are net profits (zuivere winst), unless the general meeting of shareholders of CB&I N.V. has resolved in advance to make such repayment and provided that the par value of the common shares concerned has been reduced by an equal amount by way of an amendment to the Articles of Association.

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If a holder of common shares is resident in a country other than The Netherlands and if a taxation convention is in effect between The Netherlands and such country, such holder of common shares may, depending on the terms of such double taxation convention, be eligible for a full or partial exemption from, or refund of, Netherlands dividend withholding tax.

Under the double taxation convention in effect between The Netherlands and the United States (the Treaty), dividends paid by CB&I N.V. to a resident of the United States (other than an exempt organization or exempt pension organization) are generally eligible for a reduction of the 25% Netherlands withholding tax to 15%, or in the case of certain U.S. corporate shareholders owning at least 10% of the voting power of CB&I N.V., 5%, unless the common shares held by such resident are attributable to a business or part of a business that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands. The Treaty provides for a complete exemption for dividends received by exempt pension organizations and exempt organizations, as defined therein. Except in the case of exempt organizations, the reduced dividend withholding rate can be applied at source upon payment of the dividends, provided that the proper forms have been filed in advance of the payment. Qualifying U.S. exempt organizations must seek a full refund of the tax withheld by filing the proper forms. A holder of common shares other than an individual will not be eligible for the benefits of the Treaty if such holder of common shares does not satisfy one or more of the tests set forth in the limitation on benefits provisions of Article 26 of the Treaty.

According to a legislative proposal regarding anti-dividend stripping that has not yet been approved by the Dutch parliament but that when enacted will have retroactive effect to April 27, 2001, no exemption from, or refund of, Netherlands withholding tax will be granted if the ultimate recipient of a dividend paid by CB&I N.V. is not considered to be the beneficial owner of such dividend. Such recipient is not considered to be the beneficial owner if such recipient paid a consideration (in cash or in kind) in connection with the dividend and such payment forms part of a sequence of transactions, and further it is likely that (i) an individual or a company (other than the holder of the dividend coupon) benefited, in whole or in part, directly or indirectly, from the dividend and such individual or company would be to a lesser extent entitled to an exemption from, or refund of, Netherlands withholding tax than the recipient of the dividend, and (ii) such individual or company, directly or indirectly, retains or acquires a position in the shares that is comparable with his/her or its position in similar shares that he/she or it had before the sequence of transactions began. The term sequence of transactions as used herein includes the sole acquisition of one or more dividend coupons and the establishment of short-term rights of enjoyment on shares, while the transferor retains the ownership of the shares. The Treaty provides for a divergent definition of the beneficial owner that generally will overrule the proposed definition of the beneficial owner under the laws of the Netherlands.

Under certain circumstances, a transfer of the full amount of withholding tax withheld to The Netherlands tax authorities will not be required with respect to dividend distributions out of dividends received from CB&I N.V. s foreign affiliates. The amount not transferred amounts to 3% of the gross amount of any cash dividend paid on the common shares, but will not exceed 3% of the gross dividends received from CB&I N.V. s qualifying foreign affiliates during the calendar year until the withholding date and the two previous calendar years to the extent that these distributions have not been taken into account in respect of the determination of a previous reduction of withholding tax to be transferred. This reduction is not paid out to holders of common shares, but remains with the Company instead.

Distribution Tax. In the period from January 1, 2001 up to and including December 31, 2005, CB&I N.V. will be subject to a temporary special distribution tax at a rate of 20% on certain dividends that are qualified as excessive . Dividends are considered to be excessive , among other things, when the total proceeds distributed during a particular calendar year exceed the highest of (i) 4% of CB&I N.V. s market capitalization at the beginning of the relevant calendar year, (ii) twice the amount of the average annual dividends (exclusive of extraordinary distributions) by reference to the three calendar years immediately preceding January 1, 2001, or (iii) CB&I N.V. s adjusted consolidated commercial result for the preceding fiscal year. Certain exceptions exist. The qualification of this surtax and the consequences thereof for foreign shareholders are uncertain. To the extent dividends that are subject to

this surtax are distributed to certain qualifying shareholders, CB&I N.V. is not required to withhold Netherlands dividend withholding tax.

Taxes on Income and Capital Gains. A holder of common shares will not be subject to any Netherlands taxes on income or capital gains in respect of dividends distributed by CB&I N.V. or in respect of any gain realized on the disposal of common shares (other than the withholding tax described above), provided that: (i) such holder is neither resident nor deemed to be a resident nor opting to be taxed as a resident in The Netherlands; (ii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the common shares are attributable; (iii) such holder is not a taxable entity for Netherlands corporate income tax purposes that is deemed to have a Netherlands enterprise to which enterprise the common shares are attributable; (iv) such holder is not an individual performing other activities in the Netherlands in respect of the common shares, including activities which are beyond the scope of normal investment activities; and (v) such holder does not have a substantial interest or a deemed substantial interest in CB&I N.V. or, if such holder does have such an interest, it forms part of the assets of an enterprise. Generally, a holder of common shares will not have a substantial interest if he, his partner, certain other relatives (including foster children) or certain persons sharing his household, do not hold, alone or together, whether directly or indirectly, the ownership of, or certain other rights over, common shares representing five percent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of CB&I N.V., or rights to acquire shares, whether or not already issued, that represent at any time (and from time to time) five percent or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of CB&I N.V., or the ownership of certain profit participating certificates that relate to five percent or more of the annual profit of CB&I N.V. and/or to five percent or more of the liquidation proceeds of CB&I N.V. A deemed substantial interest is present if (part of) a substantial interest has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Gift, Estate and Inheritance Taxes. No gift, estate and inheritance taxes will arise in The Netherlands with respect to an acquisition of common shares by way of a gift by, or on the death of, a holder of common shares who is neither a resident nor deemed to be resident in The Netherlands, unless: (i) the holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, the common shares are or were attributable; or (ii) in the case of a gift of shares by an individual who at the time of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands. For purposes of Netherlands gift, estate and inheritance tax, an individual who holds The Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual not holding The Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift.

Other Netherlands Taxes and Duties. Save for a capital tax which will be payable by us, no registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in The Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the common shares.

Dutch Taxation for Resident Shareholders

The following discussion is intended only for the following shareholders or investors:

individuals who are resident or deemed to be resident in The Netherlands for tax purposes or who have opted to be taxed as resident in The Netherlands, excluding (i) individuals who invest in

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common shares that form part of a substantial interest or a deemed substantial interest in CB&I N.V. or (ii) individuals who are, or are deemed to be, CB&I N.V. s employees, director or board members or individuals who are, or are deemed to be, employees, directors, board members of companies related to CB&I N.V. (the Dutch Individuals); and

corporate entities, which term includes associations which are taxable as corporate entities, that are resident or deemed to be resident in The Netherlands for tax purposes, excluding corporate solid #000000">

(1) Represents PSUs granted under the Amended Aetna Inc. 2010 Stock Incentive Plan (the 2010 Stock Plan) in the respective amounts listed. The Compensation Committee approved the grant of these PSUs at a meeting on February 26, 2015, with an effective grant date of March 2, 2015. The PSUs do not earn dividend equivalents and have no voting rights. See the discussion of long-term incentive equity awards in Long-term incentive equity awards (SARs and PSUs) on page 36 for a discussion of the vesting of these awards based on the Compensation Committee s determination that the Company has attained the applicable performance metrics. Refer to footnote 3 on page 41 for a discussion of how the number of vested PSUs will be determined. Each vested PSU represents one share of Common Stock and will be paid in shares of Common Stock, net of taxes, as a result of a determination by the Compensation Committee.

(2) Represents SARs granted under the 2010 Stock Plan in the respective amounts listed. The Compensation Committee approved the grant of these SARs at a meeting on February 26, 2015, with an effective grant date of March 2, 2015. These SARs vest in three substantially equal annual installments beginning on March 2, 2016 and will be settled in shares of Common Stock, net of taxes, when exercised. Each SAR represents a stock appreciation right with an exercise price of $100.50, the closing price of the Common Stock on the grant date.

(3) Represents 60% of Mr. Bertolini s 2014 ABP award which was awarded in RSUs awarded under the 2010 Stock Plan with a grant date of March 2, 2015 that vest in three substantially equal annual installments beginning on March 2, 2016.

(4) Represents PSUs granted under the 2010 Stock Plan. The Compensation Committee approved the grant of these PSUs at a meeting on September 24, 2015, with an effective grant date of September 24, 2015. The PSUs do not earn dividend equivalents and have no voting rights. See the discussion of long-term incentive equity awards in Long-term incentive equity awards (SARs and PSUs) on page 36 for a discussion of the vesting of these awards based on the Compensation Committee s determination that the Company has attained the applicable performance metrics. Refer to footnote 5 on page 42 for a discussion of how the number of vested PSUs will be determined. Each vested PSU represents one share of Common Stock and will be paid in shares of Common Stock, net of taxes, as a result of a determination by the Compensation Committee.

(5) Represents SARs granted under the 2010 Stock Plan. The Compensation Committee approved the grant of these SARs at a meeting on September 24, 2015, with an effective grant date of September 24, 2015. These SARs vest in three equal annual installments beginning on September 24, 2016 and will be settled in shares of Common Stock, net of taxes, when exercised. Each SAR represents a stock appreciation right with an exercise price of $116.44, the closing price of the Common Stock on the grant date.

(6) Represents PSUs granted under the 2010 Stock Plan. The Compensation Committee approved the grant of these PSUs at a meeting on September 11, 2015, with an effective grant date of October 26, 2015. The PSUs do not

earn dividend equivalents and have no voting rights. See the discussion of long-term incentive equity awards in Long-term incentive equity awards (SARs and PSUs) on page 36 for a discussion of the vesting of these awards based on the Compensation Committee s determination that the Company has attained the applicable performance metrics. Refer to footnote 6 on page 42 for a discussion of how the number of vested PSUs will be determined. Each vested PSU represents one share of Common Stock and will be paid in shares of Common Stock, net of taxes, as a result of a determination by the Compensation Committee.

(7) *Represents SARs granted under the 2010 Stock Plan. The Compensation Committee approved the grant of these SARs at a meeting on September 11, 2015, with an effective grant date of October 26, 2015. These SARs vest in three substantially equal annual installments beginning on October 26, 2016 and will be settled in shares of Common Stock, net of taxes, when exercised. Each SAR represents a stock appreciation right with an exercise price of $107.80, the closing price of the Common Stock on the grant date.*

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(8) *Represents sign on RSUs granted under the 2010 Stock Plan. The Compensation Committee approved the grant of these RSUs at a meeting on September 11, 2015, with an effective grant date of October 26, 2015. These RSUs vest in three substantially equal annual installments beginning on October 26, 2016.*

(9) *Represents the range of possible cash bonus amounts available for 2015 under the ABP. See Annual Performance-based Bonuses beginning on page 34 for a discussion of bonus metrics and payouts.*

(10) *Mr. Bertolini s 2015 annual bonus opportunity at target was set at 300% of his base salary. Mr. Bertolini s 2015 ABP award was paid 40% ($1,840,000) in cash and 60% ($2,760,000) in RSUs with a grant date of February 19, 2016 that vest in three substantially equal annual installments beginning on February 19, 2017.*

(11) *Mr. Guertin s 2015 annual bonus opportunity at target represents a pro-rated bonus to reflect the date his target bonus opportunity was increased to 110%, March 9, 2015, and the dates his base salary was increased, April 6, 2015 and September 24, 2015. Mr. Loveman s 2015 annual bonus opportunity at target represents a pro-rated bonus to reflect that Mr. Loveman joined Aetna in the fourth quarter of 2015. Mr. Soistman s 2015 annual bonus opportunity at target represents a pro-rated bonus to reflect the date his salary was increased, April 6, 2015.*

(12) *Results that do not meet the threshold performance level will result in zero vesting and forfeiture of the award.*

(13) *Refer to pages 126-129 of Aetna s 2015 Annual Report, Financial Report to Shareholders and notes 8 and 9 to the 2015 Summary Compensation Table for all relevant valuation assumptions.*

Outstanding Equity Awards at 2015 Fiscal Year-End

The following table sets forth information concerning outstanding SARS, PSARs, RSUs, PSUs and MSUs as of December 31, 2015 held by the Named Executive Officers. The Company achieved the performance goal set at the time of the grant of the unvested MSUs granted in 2013; these MSUs are shown assuming that the average closing price of the Common Stock for the applicable measurement period is $108.12, the closing price of the Common Stock on December 31, 2015. Based on full year 2015 earnings which were available on February 1, 2016, the Compensation Committee determined that: the PSUs granted on August 5, 2013 met the performance goal set at the time of grant at below target performance (74.61% of the original number of units granted or 74.61% of target) and the PSUs granted in 2014 met the performance goal set at the time of grant at maximum performance (200% of target). Vesting of the PSUs granted in 2014 is subject to the continued employment of the applicable NEO through the vesting date. Unearned PSUs granted in 2015 are shown at maximum performance (200% of target).

Option Awards	Stock Awards

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercisable Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[2]	Market Value of Shares or Units of Stock That Have Not Vested ($)[8]	Number of Unearned Units of Shares or Units of Stock (#)[9]	Market Value of Unearned Units of Shares or Units of Stock($)[8]
Mark T. Bertolini	106,570			39.93	6/29/2016	404,994[3]	43,787,951	68,658[10]	7,423,303
	148,138			42.57	2/08/2017				
	308,642			48.65	7/26/2017				
	197,897			50.70	2/07/2018				
	299,751			32.11	2/12/2019				
	101,542	203,084		72.26	3/2/2024				
			700,000[1]	64.25	8/5/2023				
		253,480		100.50	3/1/2025				
Shawn M. Guertin	27,417	54,833		72.26	3/2/2024	65,052[4]	7,033,422	23,988[11]	2,593,583
		77,146		100.50	3/1/2025				
		11,415		116.44	9/23/2025				
Gary W. Loveman, Ph.D.						27,830[5]	3,008,980	22,264[12]	2,407,184
		82,196		107.80	10/25/2025				
Karen S. Lynch	27,925	55,848		72.26	3/2/2024	63,336[6]	6,847,888	29,852[10]	3,227,598
		110,209		100.50	3/1/2025				
Francis S. Soistman, Jr.	18,278	36,555		72.26	3/2/2024	61,656[7]	6,666,247	17,912[10]	1,936,645
		66,126		100.50	3/1/2025				

(1) Consists of 700,000 PSARs that may vest in one installment on August 5, 2016.

(2) Each vested RSU, MSU and PSU represents one share of Common Stock and (except for the PSUs granted on August 5, 2013) will be paid in shares of Common Stock, net of taxes. The payment on the PSUs granted on August 5, 2013 will be deferred to an unfunded deferred stock unit account that will not be paid to Mr. Bertolini until six months following his termination of employment with the Company.

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(3) *Consists of 9,208 RSUs that vest in one installment on February 1, 2016; 19,098 RSUs that vest in two equal annual installments beginning on March 3, 2016; 25,075 RSUs that vest in three substantially equal annual installments beginning on March 2, 2016; 129,314 MSUs granted on February 1, 2013, that will vest on February 1, 2016, based on the average closing price of the Common Stock for the final 30 trading day period ending on the vesting date; 100,000 PSUs granted on August 5, 2013 that will vest on January 5, 2016; and 41,517 PSUs granted on March 3, 2014 that will vest on March 3, 2017.*

(4) *Consists of 28,421 MSUs granted on February 1, 2013, that will vest on February 1, 2016 based on the average closing price of the Common Stock for the final 30 trading day period ending on the vesting date; and 11,210 PSUs granted on March 3, 2014 that will vest on March 3, 2017.*

(5) *Consists of 27,830 RSUs that vest in one installment on October 26, 2018.*

(6) *Consists of 27,000 MSUs granted on February 1, 2013, that will vest on February 1, 2016 based on the average closing price of the Common Stock for the final 30 trading day period ending on the vesting date; and 11,418 PSUs granted on March 3, 2014 that will vest on March 3, 2017.*

(7) *Consists of 18,251 RSUs granted on December 10, 2014 that will vest in two substantially equal annual installments beginning on December 10, 2016; 11,369 MSUs granted on February 1, 2013, that will vest on February 1, 2016 based on the average closing price of the Common Stock for the final 30 trading day period ending on the vesting date; 7,602 MSUs granted on August 12, 2013, that will vest on August 12, 2016 based on the average closing price of the Common Stock for the final 30 trading day period ending on the vesting date; and 7,474 PSUs granted on March 3, 2014 that will vest on March 3, 2017.*

(8) *Market value calculated using the December 31, 2015 closing price of the Common Stock of $108.12. For purposes of calculating the market value of unvested MSUs and of unearned MSUs, the average closing price of the Common Stock for the final 30 trading days of the applicable vesting period also is assumed to be $108.12.*

(9) *Refer to footnotes 3, 5 and 6 beginning on page 41 for a description of how the number of vested PSUs will be determined for PSUs granted in 2015. Each vested PSU represents one share of Common Stock and will be paid in shares of Common Stock, net of taxes.*

(10) *Consists of PSUs granted on March 2, 2015 that may vest on March 2, 2018, based on achievement of three-year cumulative adjusted operating earnings per share and cumulative adjusted revenue targets set by the Compensation Committee at the time of the grant. The number of PSUs granted is as follows: Mr. Bertolini:*

34,329; Ms. Lynch 14,926; and Mr. Soistman 8,956.

(11) *Consists of 10,448 PSUs granted on March 2, 2015 that may vest on March 2, 2018; and 1,546 PSUs granted on September 24, 2015 that may vest on September 24, 2018, in each case based on achievement of three-year cumulative adjusted operating earnings per share and cumulative adjusted revenue targets set by the Compensation Committee at the time of the grant.*

(12) *Consists of 11,132 PSUs granted on October 26, 2015 that may vest on October 26, 2018 based on achievement of three-year cumulative adjusted operating earnings per share and cumulative adjusted revenue targets set by the Compensation Committee at the time of the grant.*

2015 Option Exercises and Stock Vested

The following table sets forth information concerning the gross number of stock options and/or SARs exercised and RSUs, PSUs and MSUs vested during 2015 for the Named Executive Officers.

	Option Awards		**Stock Awards**	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized On Vesting[6] ($)**
Mark T. Bertolini	97,474[1]	5,801,165	205,036[2]	18,980,706
Shawn M. Guertin	0	0	35,441[3]	3,349,559
Gary W. Loveman, Ph.D.	0	0	0	0
Karen S. Lynch	0	0	56,068[4]	5,980,805
Francis S. Soistman, Jr.	0	0	10,691[5]	1,093,392

(1) *Consists of 97,474 shares acquired upon the exercise of SARs granted February 10, 2006.*

(2) *Consists of 91,112 shares acquired upon the vesting of MSUs granted February 2, 2012; 72,840 shares acquired upon the vesting of PSUs granted February 1, 2013; 22,327 shares acquired upon the vesting of RSUs granted February 2, 2012; 9,208 shares acquired upon the vesting of RSUs granted February 1, 2013; and 9,549 shares acquired upon the vesting of RSUs granted March 3, 2014.*

(3) *Consists of 11,229 shares acquired upon the vesting of MSUs granted February 2, 2012; 8,201 shares acquired upon the vesting of MSUs granted March 12, 2012; and 16,011 shares acquired upon the vesting of PSUs granted February 1, 2013.*

(4) *Consists of 22,956 shares acquired upon the vesting of MSUs granted July 23, 2012; 15,210 shares acquired upon the vesting of PSUs granted February 1, 2013; and 17,902 shares acquired upon the vesting of RSUs*

granted July 23, 2012.

(5) *Consists of 6,406 shares acquired upon the vesting of PSUs granted February 1, 2013; and 4,285 shares acquired upon the vesting of PSUs granted August 12, 2013.*

(6) *Calculated by multiplying the number of shares of Common Stock acquired on vesting by the closing price of the Common Stock on the vesting date or the first business day after the vesting date when the vesting date is not a business day.*

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2015 Pension Benefits

The following table sets forth information concerning the present value of the Named Executive Officers respective accumulated benefits under the Pension Plan and Supplemental Pension Plan. The present value shown below was determined for each participant based on their accrued benefit as of December 31, 2015, and the discount rates that Aetna used for its 2015 year-end pension disclosures and assumes continued employment to age 65 for Mr. Bertolini. Pursuant to SEC rules, the valuations

shown below do not take into account any assumed future pay increases. Messrs. Guertin, Loveman and Soistman and Ms. Lynch are not eligible to participate in the Pension Plan because they joined the Company after the Pension Plan was frozen on December 31, 2010. Messrs. Guertin, Loveman and Soistman and Ms. Lynch are not eligible to participate in the Supplemental Pension Plan. No NEO received any payment from the Pension Plan or the Supplemental Pension Plan during 2015.

Name	Plan Name(1)	Number of Years Credited Service	Present Value of Accumulated Benefit(2)
Mark T. Bertolini	Pension Plan	11.08	$142,794
	Supplemental Pension Plan	7.08	228,188
Shawn M. Guertin	Pension Plan	0	0
	Supplemental Pension Plan	0	0
Gary W. Loveman, Ph.D.	Pension Plan	0	0
	Supplemental Pension Plan	0	0
Karen S. Lynch	Pension Plan	0	0
	Supplemental Pension Plan	0	0
Francis S. Soistman, Jr.	Pension Plan	0	0
	Supplemental Pension Plan	0	0

(1) *As of January 1, 2007, the Supplemental Pension Plan is no longer used to accrue benefits that exceed the Code limits, but interest continues to accrue on the outstanding cash balance accruals. In addition, the Supplemental Pension Plan may continue to be used to credit benefits for special pension agreements. Refer to Pension Plan Narrative on page 47.*

(2) *Refer to pages 118-125 of Aetna s 2015 Annual Report, Financial Report to Shareholders for a discussion of the valuation methods used to calculate the amounts in this column. In calculating the present value of the accumulated benefit under the Pension Plan and the Supplemental Pension Plan, the following economic assumptions were used:*

Pension Plan

		Supplemental Pension Plan
Discount Rate	4.51%	4.22%
Future Cash Balance Interest Rate	2.89%	2.89%
5-Year Average Cost of Living Adjustment	2.30%	2.30%

Pension Plan Narrative

Prior to January 1, 2011, the Company provided the Pension Plan, a noncontributory, defined benefit pension plan, for most of its employees. In 1999, the Pension Plan was amended to convert the Pension Plan s final average pay benefit formula to a cash balance design. Under this design, the pension benefit is expressed as a cash balance account. Each year through December 31, 2010, a participant s cash balance account was credited with (i) a pension credit based on the participant s age, years of service and eligible pay for that year, and (ii) an interest credit based on the participant s account balance as of the beginning of the year and an interest rate that equals the average 30-year U.S. Treasury bond rate for October of the prior calendar year. For 2015, the interest rate was 3.04%. For purposes of the Pension Plan, eligible pay was generally base pay and certain other forms of cash compensation, including annual performance bonuses, but excluding long-term incentive compensation and proceeds from stock option and SAR exercises and other equity grants. The maximum eligible pay under the Pension Plan was set annually by the Internal Revenue Service.

Effective December 31, 2010, the Pension Plan was frozen. No further pension service credits will be earned after that

date. However, participants cash balance accounts will continue to be credited with the interest credit. Under the Pension Plan, benefits are paid over the lifetime of the employee (or the joint lives of the employee and his or her beneficiary) except that the employee may elect to take up to 100% of his or her benefits in a lump sum payment following termination of employment.

The Code limits the maximum annual benefit that may be accrued under and paid from a tax-qualified plan such as the Pension Plan. As a result, Aetna established the Supplemental Pension Plan, an unfunded, non-tax qualified supplemental pension plan that provides benefits (included in the amounts listed in the 2015 Pension Benefits table on page 46), that exceed the Code limit. Supplemental Pension Plan benefits are paid out in five equal annual installments commencing six months following termination of employment. As of January 1, 2007, the Supplemental Pension Plan is no longer used to accrue benefits that exceed the Code limits, but interest continues to accrue on the outstanding cash balance accruals.

EXECUTIVE COMPENSATION

2015 Nonqualified Deferred Compensation

The following table sets forth information concerning compensation deferrals during 2015 by the Named Executive Officers. No NEO received any withdrawal or distribution from a deferred compensation account during 2015.

Name	Executive Contributions in Last FY[(1)] ($)	Aggregate Earnings in Last FY[(2)] ($)	Aggregate Balance at Last FYE[(3)] ($)
Mark T. Bertolini	0	5,146	240,431
Shawn M. Guertin	0	0	0
Gary W. Loveman, Ph.D.	0	0	0
Karen S. Lynch	91,983	3,923	230,770
Francis S. Soistman, Jr.	33,764	1,013	64,971

(1) *The following table provides additional information about the contributions that the NEOs made to their nonqualified deferred compensation accounts during 2015. The contributions during 2015 came from the base salary and/or annual bonus that are reported for the NEO in the Salary and Non-Equity Incentive Plan Compensation columns of the 2015 Summary Compensation Table on page 41. All amounts contributed by a NEO and by the Company in prior years have been reported in the Summary Compensation Tables in Aetna s previously filed proxy statements in the year earned to the extent such person was a named executive officer for purposes of the SEC s executive compensation disclosure.*

Name	2015 Cash Contributions into Supplemental 401(k) Plan ($)	Total 2015 Contributions ($)
Mark T. Bertolini	0	0
Shawn M. Guertin	0	0
Gary W. Loveman, Ph.D.	0	0
Karen S. Lynch	91,983	91,983
Francis S. Soistman, Jr.	33,764	33,764

(2) *The following table details the aggregate earnings on nonqualified deferred compensation accrued to each NEO during 2015. During 2015, no NEO had any balance in a deferred compensation stock unit account or interest account, and no NEO received any dividend equivalents on a deferred compensation account.*

Name	Interest on Supplemental 401(k) Plan ($)	Total ($)
Mark T. Bertolini	5,146	5,146
Shawn M. Guertin	0	0
Gary W. Loveman, Ph.D.	0	0
Karen S. Lynch	3,923	3,923
Francis S. Soistman, Jr.	1,013	1,013

(3) The aggregate nonqualified deferred compensation account balances of each NEO at December 31, 2015 consist only of the following:

Name	Supplemental 401(k) Plan Account ($)	Total ($)
Mark T. Bertolini	240,431	240,431
Shawn M. Guertin	0	0
Gary W. Loveman, Ph.D.	0	0
Karen S. Lynch	230,770	230,770
Francis S. Soistman, Jr.	64,971	64,971

Deferred Compensation Narrative

The Salary and Non-Equity Incentive Plan Compensation columns in the 2015 Summary Compensation Table include cash compensation that was deferred by the Named Executive Officers during 2015. The Company permits executives to defer up to 40% of eligible pay (which includes base salary and annual bonus) into the 401(k) Plan (subject to deferral limits established by the Code in 2015, $17,500 ($23,000 for individuals age 50 and older)). The 401(k) Plan, which is available to all eligible employees of the Company, is a funded arrangement that provides nineteen investment options, as well as a self-directed brokerage option. Aetna matches 100% of the amount deferred by employees, including the NEOs, under the 401(k) Plan up to 6% of eligible pay. Under the 401(k) Plan, benefits are paid to the employee (including NEOs) after termination of employment on the date selected by the employee.

Aetna established the Supplemental 401(k) Plan to provide the deferral that would have been credited to the 401(k) Plan but for limits imposed by the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Code. The Supplemental 401(k) Plan allows eligible employees, including the NEOs, to defer up to an additional 10% of base salary. Aetna does not match employees contributions to the Supplemental 401(k) Plan. The Supplemental 401(k) Plan is an unfunded plan that credits

interest at a fixed rate pursuant to a formula equal to the rate of interest paid from time to time under the fixed interest rate fund option of the 401(k) Plan. The 401(k) Plan interest rate is set quarterly to better align the credited rates with the underlying fixed income investment earning rates achieved in the fund. In 2015, this fixed interest rate was 2.20% from January to March, 2.25% from April to June, 2.20% from July to September and 2.10% from October to December. In 2016, this fixed interest rate is 2.05% from January to March. Under the Supplemental 401(k) Plan, benefits are paid to the executive on the later of six months or January 1 following termination of employment.

The Company also permits executives to defer up to 100% of their annual bonus. The deferral arrangement for annual bonuses is also unfunded and permits investment in either an interest account or a stock unit account. The interest account credits interest at the same rate as the Supplemental 401(k) Plan. The stock unit account tracks the value of the Common Stock. The stock unit account earns dividend equivalents, paid in the manner of the individual s selection. This arrangement pays out on a date selected by the executive at the time of deferral. The Compensation Committee may also require or permit other compensation to be deferred.

Potential Post-Employment Payments

Regardless of the manner in which a Named Executive Officer s employment terminates, he or she is entitled to receive certain amounts earned during his or her term of employment, including the following: (a) deferred compensation amounts; (b) amounts accrued and vested through the 401(k) Plan and Supplemental 401(k) Plan; and (c) amounts accrued and vested through the Pension Plan and Supplemental Pension Plan. In addition, except as

provided in the tables below, each NEO is eligible to receive vested equity awards upon a termination of employment for any reason (other than for cause). Equity awards (other than PSUs and MSUs) continue to vest for all employees during any period of severance or salary continuation. The actual amounts paid to any NEO can only be determined at the time of the executive s separation from the Company. Section 409A of the Code may require the Company to delay the payment of certain payments for six months following termination of employment. Refer to the 2015 Nonqualified Deferred Compensation table and Deferred Compensation Narrative beginning on page 48 for a discussion of the deferred compensation plan, 401(k) Plan and Supplemental 401(k) Plan. Refer to the 2015 Pension Benefits table and Pension Plan Narrative beginning on

page 46 for a discussion of the Pension Plan and Supplemental Pension Plan. Refer to the Outstanding Equity Awards at 2015 Fiscal Year-End table beginning on page 44 for a discussion of outstanding equity awards at December 31, 2015.

Unless otherwise indicated, each of the tables for the NEOs below assumes a termination of employment (or change in control and termination of employment without Cause and/or for Good Reason, as defined below, as applicable) as of December 31, 2015, and assumes a Common Stock price of $108.12 per share (the closing price of the Common Stock on December 31, 2015) and, for illustrative purposes, an immediate sale of equity awards upon termination of employment at $108.12 per share. Change in control severance benefits (base salary and bonus payments, if any) to each NEO are paid pursuant to a double-trigger, which means that to receive such benefits employment must terminate both: (1) as a result of a qualifying termination of employment, and (2) after a change in control as detailed in the agreements described below and under Agreements with Named Executive Officers beginning on page 55. Unless otherwise indicated, the amounts set forth in the

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EXECUTIVE COMPENSATION

tables that follow under PSUs were calculated based upon the Compensation Committee s determination that the Company achieved maximum performance of 200% of target for PSUs granted in 2014. For Termination after Change-in-Control, PSUs granted in 2014 are assumed to vest at actual performance. The PSUs granted in 2015 are assumed to vest at target performance both in the case of a change in control and in the case of certain qualified terminations (pro-rated for the number of months employed during the vesting period). The performance metric for these PSUs is Cumulative Adjusted Operating EPS and Cumulative Revenue from January 1, 2015 through December 31, 2017. If performance were calculated at December 31, 2015, these PSUs would perform below target. Actual performance of and payouts of these PSUs may change significantly by December 31, 2017. Refer to footnote 3 to the 2015 Summary Compensation Table for information on the grant date fair value of the PSUs granted in 2015 at maximum performance.

The NEOs equity award agreements define Change in Control as the occurrence of any of the following events:

(a) a person or group acquires 20% or more of the combined voting power of the Company s then outstanding securities; (b) during any period of 24 consecutive months, the individuals who, at the beginning of such period, constitute the Board cease for any reason (other than death) to constitute a majority of the Board, unless any such new Director was elected, recommended or approved by at least two-thirds of the other Directors then in office; or (c) a transaction requiring shareholder approval for the acquisition of the Company by an entity other than the Company or a subsidiary of the Company through the purchase of assets, or by merger, or otherwise.

As of December 31, 2015, Mr. Bertolini was considered retirement eligible for purposes of equity vesting. Under her employment agreement, Ms. Lynch is considered retirement eligible for purposes of the vesting and exercise provisions of her equity awards upon certain terminations of her employment.

Mark T. Bertolini

The following table reflects additional payments that would be made to Mr. Bertolini upon termination of his employment on December 31, 2015, under various scenarios. Mr. Bertolini s employment agreement defines Cause as the occurrence of one or more of the following: (a) a willful and continued failure to attempt in good faith to perform duties, which failure is not remedied within fifteen business days following written notice of such failure; (b) material gross negligence or willful malfeasance in performance of duties; (c) with respect to the Company, commission of an act constituting fraud, embezzlement or any other act constituting a felony; or (d) commission of any act constituting a felony which has or is likely to have a material adverse economic or reputational impact on the Company. Mr. Bertolini s employment agreement defines Good Reason as the occurrence of one or more of the following without Mr. Bertolini s consent : (a) a reduction by the Company of base salary or target cash bonus opportunity (except in the event of a ratable reduction prior

to a change in control affecting all senior officers of the Company); (b) within 24 months following a change of control, a reduction in the level of the long-term incentive plan opportunity from that afforded him immediately prior to the change in control; (c) any failure of a successor of the Company to assume and agree to perform the Company s entire obligations under the employment agreement; (d) reporting to any person other than the Company s Board of Directors; (e) any action or inaction by the Company that constitutes a material breach of the employment agreement; (f) removal of Mr. Bertolini as President, Chief Executive Officer or Director; or (g) the appointment of any person to the position of executive Chairman. Mr. Bertolini s employment agreement contains a change in control cutback policy which, under certain circumstances, would reduce the amount due to Mr. Bertolini following a change in control to an amount that maximizes the net after tax amount retained by him to the extent permitted under Section 409A of the Code.

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Payment Type	Retirement or Voluntary Termination by Mr. Bertolini	Termination by Aetna without Cause or by Mr. Bertolini for Good Reason	Termination after Change-in-Control	Termination by Aetna for Cause	Death or Disability
Base Salary	$ 0	$ 2,000,000[(1)]	$ 2,000,000[(1)]	$0	$ 0
Bonus	0	3,600,000[(1)]	3,600,000[(1)]	0	0
Long-term Incentive					
PSARs	0[(2)]	20,472,681[(7)]	26,322,000[(12)]	0[(14)]	26,322,000[(15)]
RSUs	2,281,873[(3)]	5,545,691[(8)]	5,771,554[(13)]	0[(14)]	5,771,554[(16)]
MSUs	19,807,043[(4)]	20,972,145[(9)]	20,972,145[(13)]	0[(14)]	20,972,145[(17)]
PSUs	6,165,002[(5)]	20,446,681[(10)]	23,501,288[(13)]	0[(14)]	23,501,288[(18)]
SARs	4,285,140[(6)]	9,214,110[(11)]	9,214,110[(13)]	0[(14)]	9,214,110[(19)]
TOTAL	**$32,539,058**	**$82,251,308**	**$91,381,097**	**$0**	**$ 85,781,097**

(1) *Represents 24 months of cash compensation (calculated as annual base salary and target cash bonus opportunity) plus a pro rata portion of Mr. Bertolini s target cash bonus opportunity for the year in which termination of employment occurs. Amounts would be paid bi-weekly during the severance period.*

(2) *PSAR grant awarded August 5, 2013 is subject to forfeiture upon retirement or voluntary termination.*

(3) *Represents pro-rated vesting of RSU grants awarded February 1, 2013, March 3, 2014 and March 2, 2015.*

(4) *Represents pro-rated vesting of MSU grant awarded February 1, 2013. Actual payment for MSUs granted February 1, 2013 would occur following February 1, 2016. Payment would occur in shares of Common Stock, net of taxes, based on the average closing price of the Common Stock for the final 30 trading day period ending on the February 1, 2016 vesting date, which is assumed to be $108.12.*

(5) *Represents pro-rated vesting of PSU grants awarded March 3, 2014 and March 2, 2015. Actual payment would occur following March 3, 2017 and March 2, 2018, respectively, in shares of Common Stock, net of taxes. PSU grant awarded March 3, 2014 performed at 200% of target. PSU grant awarded August 5, 2013 is forfeited. PSU grant awarded March 2, 2015 is assumed to perform at target. Actual payout may differ from target.*

(6) *Represents partial vesting of SAR grants awarded March 3, 2014 and March 2, 2015. These SARs have an exercise price of $72.26 and $100.50, respectively, the closing price of the Common Stock on the applicable grant date.*

(7)Represents continued pro-rated vesting of PSAR grant awarded August 5, 2013. Award is assumed to vest at target. Actual payment would occur following August 5, 2016 based on actual Company performance. These PSARs have an exercise price of $64.25, the closing price of the Common Stock on the grant date.

(8)Represents full vesting of RSU grants awarded February 1, 2013 and March 3, 2014; and pro-rated vesting of RSU grant awarded March 2, 2015.

(9)Represents full vesting of MSU grant awarded February 1, 2013. Actual payment for MSUs granted February 1, 2013 would occur following February 1, 2016. Payment would occur in shares of Common Stock, net of taxes, based on the average closing price of the Common Stock for the final 30 trading day period ending on the February 1, 2016 vesting date, which is assumed to be $108.12.

(10)Represents full vesting of PSU grants awarded August 5, 2013 and March 3, 2014 and pro-rated vesting of PSU grant awarded March 2, 2015. Actual payment of the August 2013 PSU grant would occur following January 5, 2016 in stock units, net of taxes, into an unfunded deferred stock unit account which will not be paid to Mr. Bertolini until 6 months following his termination of employment with the Company. Actual payment of the March 2014 and March 2015 PSU grants would occur following March 3, 2017 and March 2, 2018, respectively, in shares of Common Stock, net of taxes. The PSU grant awarded August 5, 2013 performed at target. The PSU grant awarded March 3, 2014 performed at 200% of target. The PSU grant awarded March 2, 2015 is assumed to perform at target. Actual payouts for PSU grants may differ from target.

(11)Represents full vesting of SAR grants awarded March 3, 2014 and March 2, 2015. These SARs have an exercise price of $72.26 and $100.50, respectively, the closing price of the Common Stock on the applicable grant date.

(12)Represents continued vesting of PSAR grant awarded August 5, 2013. Award is assumed to vest at target. PSARs would vest at the greater of target or actual Company performance as of the date of the Change in Control (as defined in the PSAR award agreement). Actual payment would occur following August 5, 2016.

(13)Represents full accelerated vesting of all outstanding unvested RSU, MSU, PSU, and SAR awards, except for PSU grant awarded August 5, 2013, which represents continued vesting and actual payment would occur on January 5, 2016. PSU grant awarded August 5, 2013 is assumed to vest at target. PSUs would vest at the greater of target or actual Company performance as of the date of the Change in Control (as defined in Mr. Bertolini s equity award agreements). MSU value assumes the average closing price of the Common Stock for the final 30 trading days of the vesting period is $108.12.

(14)Unvested PSARs, RSUs, MSUs, PSUs and SARs are subject to forfeiture if there is a termination by Aetna for Cause (as defined in Mr. Bertolini s employment agreement).

(15)Represents full accelerated vesting at target of PSAR grant awarded August 5, 2013.

(16) Represents full accelerated vesting of RSU grants awarded February 1, 2013, March 3, 2014, and March 2, 2015.

(17) Represents full vesting of MSU grant awarded February 1, 2013. Actual payment for MSUs granted February 1, 2013 would occur following February 1, 2016. Payment would occur in shares of Common Stock, net of taxes, based on the average closing price of the Common Stock for the final 30 trading day period ending on the February 1, 2016 vesting date, which is assumed to be $108.12.

(18) Represents full vesting of PSU grants awarded March 3, 2014 and March 2, 2015. Actual payment would occur following March 3, 2017 and March 2, 2018, respectively, in shares of Common Stock, net of taxes. Represents full accelerated vesting of PSU grant awarded August 5, 2013; actual payment would occur following January 5, 2016 in stock units, net of taxes, into an unfunded deferred stock unit account which will not be paid to Mr. Bertolini or his estate until 6 months following his termination of employment with the Company. PSU grant awarded August 5, 2013 would vest at target. PSU grant awarded March 3, 2014 performed at 200% of target, and PSU grant awarded March 2, 2015 is assumed to perform at target. Actual payout may differ from target.

(19) Represents full accelerated vesting of SAR grants awarded March 3, 2014 and March 2, 2015.

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Shawn M. Guertin

The following table reflects additional payments that would be made to Mr. Guertin upon termination of his employment on December 31, 2015, under various scenarios.

Payment Type	Retirement or Voluntary Termination by Mr. Guertin	Termination by Aetna without Cause	Termination after Change-in-Control	Termination by Aetna for Cause	Death or Disability
Base Salary	$0	$ 800,000[2]	$ 800,000[2]	$0	$ 0
Bonus	0	0	0	0	0
Long-term Incentive					
MSUs	0[1]	4,353,344[3]	4,609,372[6]	0[1]	4,353,344[3]
PSUs	0[1]	1,710,458[4]	3,720,842[6]	0[1]	1,710,458[4]
SARs	0[1]	1,179,094[5]	2,554,164[6]	0[1]	2,554,164[7]
TOTAL	**$0**	**$8,042,896**	**$11,684,378**	**$0**	**$ 8,617,966**

(1) Unvested MSUs, PSUs and SARs are subject to forfeiture if Mr. Guertin retires or terminates voluntarily or if there is a termination by Aetna for cause.

(2) Represents 52 weeks of base salary continuation. Amounts would be paid bi-weekly during the severance period.

(3) Represents pro-rated vesting of MSU grant awarded February 1, 2013. Actual payment for MSUs granted February 1, 2013 would occur following February 1, 2016. Payment would occur in shares of Common Stock, net of taxes, based on the average closing price of the Common Stock for the final 30 trading day period ending on the February 1, 2016 vesting date, which is assumed to be $108.12.

(4) Represents pro-rated vesting of PSU grants awarded March 3, 2014, March 2, 2015 and September 24, 2015. Actual payment would occur following March 3, 2017, March 2, 2018 and September 24, 2018, respectively, in shares of Common Stock, net of taxes. PSU grant awarded March 3, 2014 performed at 200% of target. PSU grants awarded March 2, 2015 and September 24, 2015 are assumed to perform at target. Actual payout may differ from target.

(5)

Represents partial vesting of SAR grants awarded March 3, 2014, March 2, 2015 and September 24, 2015. These SARs have an exercise price of $72.26, $100.50 and $116.44, respectively, the closing price of the Common Stock on the applicable grant date.

(6) Represents full accelerated vesting of all outstanding unvested equity awards. PSUs would vest at the greater of target or actual Company performance as of the date of the Change in Control (as defined in Mr. Guertin s equity award agreements). MSU value assumes the average closing price of the Common Stock for the final 30 trading days of the vesting period is $108.12.

(7) Represents full accelerated vesting of SAR grants awarded March 3, 2014, March 2, 2015 and September 24, 2015.

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EXECUTIVE COMPENSATION

Gary W. Loveman, Ph.D.

The following table reflects additional payments that would be made to Mr. Loveman upon termination of his employment on December 31, 2015, under various scenarios. Mr. Loveman s letter agreement defines Cause as the occurrence of one or more of the following: (a) willful failure to perform substantially his duties after reasonable notice from the Company; (b) engagement in serious misconduct that is injurious to the Company, any subsidiary or any affiliate; (c) conviction of, or entrance of a plea of nolo contendre to, a crime that constitutes a felony; (d) breach of any written covenant or agreement not to compete with the Company, any subsidiary or any affiliate; or (e) breach of Mr. Loveman s duty of loyalty to the Company, which

includes without limitation (i) any disclosure of confidential information pertaining to the Company, any subsidiary or any affiliate, (ii) harmful interference in the business or operations of the Company, any subsidiary or any affiliate, (iii) any attempt directly or indirectly to induce any employee, insurance agent, insurance broker or broker-dealer of the Company, any subsidiary or any affiliate to be employed or perform services elsewhere, (iv) any attempt, directly or indirectly, to solicit the trade of any customer or supplier, or prospective customer or supplier, of the Company to do business other than with the Company or (v) any breach or violation of the Company s Code of Conduct.

Payment Type	Retirement or Voluntary Termination by Mr. Loveman	Termination by Mr. Loveman for Good Reason	Termination by Aetna without Cause	Termination after Change-in-Control	Termination by Aetna for Cause	Death or Disability
Base Salary	$0	$800,000[2]	$ 800,000[2]	$ 800,000[2]	$ 0	$ 0
Bonus	0	0	0	0	0	0
Long-term Incentive						
RSUs	0[1]	0[1]	1,170,183[3]	3,008,980[6]	0[1]	3,008,980[7]
PSUs	0[1]	0[1]	66,926[4]	1,203,592[6]	0[1]	66,926[4]
SARs	0[1]	0[1]	8,768[5]	26,303[6]	0[1]	26,303[8]
TOTAL	**$0**	**$800,000**	**$2,045,877**	**$5,038,875**	**$ 0**	**$ 3,102,209**

(1) Unvested RSUs, PSUs and SARs are subject to forfeiture if Mr. Loveman retires, terminates voluntarily or terminates for Good Reason or if there is a termination by Aetna for cause. Good Reason means being required to report to an officer other than the chief executive officer.

(2) Represents 52 weeks of base salary continuation. Amounts would be paid bi-weekly during the severance period.

(3) Represents pro-rated vesting of RSU grant awarded October 26, 2015.

(4) Represents pro-rated vesting of PSU grant awarded October 26, 2015. Actual payment would occur following October 26, 2018 in shares of Common Stock, net of taxes. PSU grant is assumed to perform at target. Actual payout may differ from target.

(5) Represents partial vesting of SAR grant awarded October 26, 2015. These SARs have an exercise price of $107.80, the closing price of the Common Stock on the grant date.

(6) Represents full accelerated vesting of all outstanding unvested equity awards. PSUs would vest at the greater of target or actual Company performance as of the date of the Change in Control (as defined in Mr. Loveman s equity award agreements).

(7) Represents full accelerated vesting upon death or continued vesting upon disability of RSU grant awarded October 26, 2015.

(8) Represents full accelerated vesting of SAR grant awarded October 26, 2015.

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EXECUTIVE COMPENSATION

Karen S. Lynch

The following table reflects additional payments that would be made to Ms. Lynch upon termination of her employment on December 31, 2015, under various scenarios. Ms. Lynch s employment agreement defines Cause as the occurrence of one or more of the following: (a) a willful and continued failure to attempt in good faith to perform duties which failure is not remedied within fifteen business days following written notice of such failure; (b) material gross negligence or willful malfeasance in performance of duties; (c) with respect to the Company, commission of an act constituting fraud, embezzlement or any other act constituting a felony; or (d) commission of any act constituting a felony which has or is likely to have a material adverse economic or reputational impact on the Company.

Ms. Lynch s employment agreement defines Good Reason as the occurrence of one or more of the following without Ms. Lynch s consent: (a) a reduction by the Company of base salary or target cash bonus opportunity (except in the event of a ratable reduction affecting all senior officers of the Company); (b) any failure of a successor of the Company to assume and agree to perform the Company s entire obligations under the employment agreement; and (c) reporting to any person other than the Company s chief executive officer; (d) removal of Ms. Lynch as President; or (e) any action or inaction by the Company that constitutes a material breach of the employment agreement.

Payment Type	Retirement or Voluntary Termination by Ms. Lynch	Termination by Aetna without Cause or by Ms. Lynch for Good Reason	Termination after Change-in-Control	Termination by Aetna for Cause	Death or Disability
Base Salary	$0	$ 1,800,000(2)	$ 1,800,000(2)	$0	$ 0
Bonus	0	3,240,000(2)	3,240,000(2)	0	0
Long-term Incentive					
MSUs	0(1)	4,135,590(3)	4,378,860(6)	0(1)	4,135,590(3)
PSUs	0(1)	1,843,770(4)	4,082,827(6)	0(1)	1,843,770(4)
SARs	0(1)	2,842,502(5)	2,842,502(6)	0(1)	2,842,502(7)
TOTAL	**$0**	**$13,861,862**	**$16,344,189**	**$0**	**$ 8,821,862**

(1) Unvested MSUs, PSUs and SARs are subject to forfeiture if Ms. Lynch retires or terminates voluntarily (other than for Good Reason) or if there is a termination by Aetna for cause.

(2) Represents 24 months of cash compensation (calculated as annual base salary and target cash bonus opportunity) plus a pro rata portion of Ms. Lynch s target cash bonus opportunity for the year in which termination of employment occurs. Amounts would be paid bi-weekly during the severance period.

(3) Represents pro-rated vesting of MSU grant awarded February 1, 2013. Actual payment for MSUs granted February 1, 2013 would occur following February 1, 2016. Payment would occur in shares of Common Stock, net of taxes, based on the average closing price of the Common Stock for the final 30 trading day period ending on the February 1, 2016 vesting date, which is assumed to be $108.12.

(4) Represents pro-rated vesting of PSU grants awarded March 3, 2014 and March 2, 2015. Actual payment would occur following March 3, 2017 and March 2, 2018, respectively, in shares of Common Stock, net of taxes. PSU grant awarded March 3, 2014 performed at 200% of target. PSU grant awarded March 2, 2015 is assumed to perform at target. Actual payout may differ from target.

(5) Represents full vesting of SAR grants awarded March 3, 2014 and March 2, 2015. These SARs have an exercise price of $72.26 and $100.50, respectively, the closing price of the Common Stock on the applicable grant date.

(6) Represents full accelerated vesting of all outstanding unvested equity awards. PSUs would vest at the greater of target or actual Company performance as of the date of the Change in Control (as defined in Ms. Lynch s equity award agreements). MSU value assumes the average closing price of the Common Stock for the final 30 trading days of the applicable vesting period is $108.12.

(7) Represents full accelerated vesting of SAR grants awarded March 3, 2014 and March 2, 2015.

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EXECUTIVE COMPENSATION

Francis S. Soistman, Jr.

The following table reflects additional payments that would be made to Mr. Soistman upon termination of his employment on December 31, 2015, under various scenarios.

Payment Type	Retirement or Voluntary Termination by Mr. Soistman	Termination by Aetna without Cause	Termination after Change-in-Control	Termination by Aetna for Cause	Death or Disability
Base Salary	$0	$ 337,500[2]	$ 337,500[2]	$0	$ 0
Bonus	0	0	0	0	0
Long-term Incentive					
RSUs	0[1]	986,703[3]	1,973,298[7]	0[1]	1,973,298[8]
MSUs	0[1]	2,700,405[4]	3,076,771[7]	0[1]	2,700,405[4]
PSUs	0[1]	1,184,887[5]	2,584,500[7]	0[1]	1,184,887[5]
SARs	0[1]	823,373[6]	1,814,742[7]	0[1]	1,814,742[9]
TOTAL	**$0**	**$6,032,868**	**$9,786,811**	**$0**	**$7,673,332**

(1) *Unvested RSUs, MSUs, PSUs and SARs are subject to forfeiture if Mr. Soistman retires or terminates voluntarily or if there is a termination by Aetna for cause.*

(2) *Represents 26 weeks of base salary continuation. Amounts would be paid bi-weekly during the severance period.*

(3) *Represents pro-rated vesting of RSU grant awarded December 10, 2014.*

(4) *Represents pro-rated vesting of MSU grants awarded February 1, 2013 and August 12, 2013. Actual payment for MSUs granted February 1, 2013 would occur following February 1, 2016. Actual payment for MSUs granted August 12, 2013 would occur following August 12, 2016. Payment would occur in shares of Common Stock, net of taxes, based on the average closing price of the Common Stock for the respective final 30 trading day periods ending on the February 1, 2016 and August 12, 2016 vesting dates, each of which is assumed to be $108.12.*

(5) *Represents pro-rated vesting of PSU grants awarded March 3, 2014 and March 2, 2015. Actual payment would occur following March 3, 2017 and March 2, 2018, respectively, in shares of Common Stock, net of taxes. PSU grant awarded March 3, 2014 performed at 200% of target. PSU grant awarded March 2, 2015 is assumed to perform at target. Actual payout may differ from target.*

(6) *Represents partial vesting of SAR grants awarded March 3, 2014 and March 2, 2015. These SARs have an exercise price of $72.26 and $100.50, respectively, the closing price of the Common Stock on the applicable grant date.*

(7) *Represents full accelerated vesting of all outstanding unvested equity awards. PSUs would vest at the greater of target or actual Company performance as of the date of the Change in Control (as defined in Mr. Soistman s equity award agreements). MSU value assumes the average closing price of the Common Stock for the final 30 trading days of each of the applicable vesting periods is $108.12.*

(8) *Represents full accelerated vesting upon death or continued vesting upon disability of RSU grant awarded December 10, 2014.*

(9) *Represents full accelerated vesting of SAR grants awarded March 3, 2014 and March 2, 2015.*

Agreements with Named Executive Officers

Aetna and Mr. Bertolini amended his amended and restated employment agreement effective August 4, 2013. The amendment extended the remaining term of the agreement to December 31, 2016, with automatic one-year extensions. Under his agreement, Mr. Bertolini is entitled to an annual salary of $1 million, and a full year target bonus opportunity of at least 300% of his base salary. Not greater than 40% of his bonus opportunity is payable in cash, and the noncash amount is payable through equity-based compensation vehicles. If Aetna terminates Mr. Bertolini s employment other than for Cause (as defined in the agreement), death or disability, or Mr. Bertolini terminates his employment for Good Reason (as defined in the agreement), he will be entitled to 24 months of cash compensation (calculated as annual base salary and target cash bonus opportunity) plus a pro rata portion of his target cash bonus opportunity for the year of termination. Under certain circumstances the amounts payable to Mr. Bertolini following a change in control will be reduced to an amount that maximizes the net after tax amount retained by him to the extent permitted

under Section 409A of the Code. Under the non-competition agreement entered into in July 2007 between Aetna and Mr. Bertolini, Mr. Bertolini agreed not to compete against the Company for a period of one year following termination of his employment. The applicable table above under Potential Post-Employment Payments reflects the provisions of Mr. Bertolini s agreements with the Company.

Under his letter agreement with the Company, Mr. Guertin was hired with an annual base salary of $500,000 and a full year target bonus opportunity of 80% of his base salary. Mr. Guertin s base salary was increased to $700,000 and his full year target bonus opportunity was increased to 100% of his base salary upon his promotion to Chief Financial Officer in 2013. Effective March 9, 2015, Mr. Guertin s full year target bonus opportunity was increased to 110% of his base salary (pro-rated for performance year 2015), and effective April 6, 2015 and September 24, 2015, Mr. Guertin s base salary was increased to $750,000 and $800,000, respectively. If Mr. Guertin s employment is

involuntarily terminated under

EXECUTIVE COMPENSATION

circumstances that would call for severance pay benefits and/or salary continuation benefits under the Company s severance and salary continuation plan then in effect, Mr. Guertin will receive payment for 52 weeks of salary continuation in lieu of amounts payable under such severance and salary continuation benefits plan. Under his agreements with Aetna, Mr. Guertin has agreed not to compete against the Company for a period of one year following termination of his employment. The applicable table above under Potential Post-Employment Payments reflects the provisions of Mr. Guertin s agreements with the Company.

Under his letter agreement with the Company, Mr. Loveman was hired with an annual base salary of $800,000 and a full year target bonus opportunity of 110% of his base salary (pro-rated for 2015). Mr. Loveman s salary will not be reduced without his consent other than in connection with a ratable reduction affecting all senior officers of the Company. The agreement also provides for (a) a sign on award of RSUs with a target grant value of $3 million that will vest on the third anniversary of the grant date; and (b) a 2015 annual long-term incentive award with a target grant value of $4 million, comprised of $2.8 million in SARs and $1.2 million in PSUs. In addition, management has agreed to recommend to the Compensation Committee that future PSU grants to Mr. Loveman have associated performance measures that will be specific to the businesses under his direction and have a maximum unit multiplier of 300% or higher. If Mr. Loveman s employment is involuntarily terminated other than for Cause (as defined in Mr. Loveman s agreement) or Mr. Loveman resigns because he is required to report to an officer other than the Company s chief executive officer, Mr. Loveman will receive payment for 52 weeks of salary in lieu of amounts payable under any Company severance and salary continuation benefits plan upon delivery of a release of employment-related claims against Aetna. The agreement also permits Mr. Loveman to remain the non-executive Chairman of Caesars Entertainment Corporation until his anticipated departure from that role in May 2016. Under his agreements with Aetna, Mr. Loveman has agreed not to compete against the Company for a period of one year following termination of his employment. The applicable table above under Potential Post-Employment Payments reflects the provisions of Mr. Loveman s agreements with the Company.

On December 10, 2014, Aetna and Ms. Lynch entered into an employment agreement following her appointment as President of Aetna effective January 1, 2015. Under the agreement, commencing January 1, 2015, Ms. Lynch s base salary is $900,000, and her annual bonus opportunity

at target performance is at least 120% of her base salary. The agreement provides for a 2015 long-term incentive award opportunity of $5 million. If Ms. Lynch s employment is involuntarily terminated by Aetna other than for Cause (as defined in the agreement), or if Ms. Lynch terminates her employment for Good Reason (as defined in the agreement) (each a Qualifying Event), she will receive, in addition to previously earned compensation: (a) cash compensation in periodic payments over twenty-four (24) months of two times the sum of her highest base salary in effect during the six months prior to termination of her employment and her annual bonus opportunity for the year of termination of employment (which is defined in the agreement as at least 120% of base salary then in effect) and (b) a pro rata annual bonus at target performance for the year of termination of employment (subject in certain circumstances to meeting applicable performance requirements). In addition, Ms. Lynch will be treated as retirement eligible for purposes of the vesting and exercise terms of all her outstanding equity awards. These payments are conditioned upon Ms. Lynch delivering a release of employment-related claims to Aetna. The initial employment term under the agreement was through December 31, 2015. The employment term automatically renewed on December 31, 2015 and will automatically renew on December 31 of each subsequent year, unless Aetna or Ms. Lynch provides notice of its or her intention not to extend the employment term. If Ms. Lynch terminates her employment at the end of the employment term upon Aetna s notice of non-renewal, she will receive the benefits described above for a

termination of employment due to a Qualifying Event. Either Aetna or Ms. Lynch can terminate the agreement at any time. Under her agreements with Aetna, Ms. Lynch has agreed not to compete against the Company for a period of one year following termination of her employment. The applicable table above under Potential Post-Employment Payments reflects the provisions of Ms. Lynch s agreements with the Company.

Under his letter agreement with the Company, Mr. Soistman was hired with an annual base salary of $500,000 and a full year target bonus opportunity of 80% of his base salary. Mr. Soistman s base salary was increased to $600,000, and his full year target bonus opportunity was increased to 100% of his base salary upon his promotion to Executive Vice President, Government Services. Mr. Soistman s base salary was increased to $675,000 effective April 6, 2015. Under his agreements with Aetna, Mr. Soistman has agreed not to compete against the Company for a period of one year following termination of his employment. The applicable table above under Potential Post-Employment Payments reflects the provisions of Mr. Soistman s agreements with the Company.

Job Elimination Benefits Plan

Aetna administers a Job Elimination Benefits Plan under which eligible employees, including Aetna s executive officers, terminated by Aetna due to re-engineering, reorganization or staff reduction efforts may receive a maximum of 52 weeks of continuing salary depending on years of service and pay level. Under certain circumstances, determined on a case-by-case basis, additional severance pay benefits may be granted for the purpose of inducing employment of senior officers or rewarding past service. The tables above under Potential Post-Employment Payments reflect any benefits payable under the Job Elimination Benefits Plan to the extent NEOs are not entitled to severance under individual agreements. Certain health and other employee benefits continue for part of the severance period.

The Board has approved provisions for certain benefits of eligible Company employees upon a change in control of

Aetna (as defined). The provisions provide that the Job Elimination Benefits Plan shall provide an enhanced benefit and shall become noncancelable for a period of two years following a change in control. Upon a change in control, stock options and other equity-based awards granted prior to January 1, 2010 and PSUs and MSUs granted on or after January 1, 2010 that have not yet vested will become vested and immediately exercisable, PSARs granted after January 1, 2013 that have not yet vested will continue to vest in accordance with the original terms of the grant, and bonuses payable under the Annual Incentive Plan will become payable based on the target award for participants. Upon a change in control, stock options, SARs and RSUs granted on or after January 1, 2010 vest upon a termination of employment by the Company other than for cause within 24 months after the change in control. Provision also has been made to maintain the aggregate value of specified benefits for one year following a change in control.

Equity Compensation Plans

The following table gives information about Common Stock that may be issued upon the exercise of SARs, PSARs, MSUs, PSUs, RSUs, warrants and rights and any other outstanding awards under all of our equity compensation plans as of December 31, 2015. In 2015, our most senior executives annual equity-based incentive compensation value was granted 70% in SARs and 30% in PSUs; and all other executives equity-based incentive compensation

value was granted 30% in PSUs, 35% in SARs and 35% in RSUs. PSUs and MSUs are delivered in shares of Common Stock, net of taxes, after final performance is reviewed and approved and the awards have vested. SARs and PSARs are settled in shares of Common Stock, net of taxes, when exercised. RSUs are settled in shares of Common Stock, net of taxes, when the awards vest.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights[3] (a)	Weighted-average exercise price of outstanding options, warrants and rights[4] (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)[5] (c)
Equity compensation plans approved by security holders[1]	13,057,799	$64.11	17,929,980
Equity compensation plans not approved by security holders[2]	360,136	N/A	0
TOTAL	**13,417,935**	**N/A**	**17,929,980**

(1) *Consists of the Aetna Inc. 2000 Stock Incentive Plan (the 2000 Stock Plan), the 2010 Stock Plan, the Aetna Inc. 2010 Non-Employee Director Compensation Plan (the 2010 Director Plan) and the 2011 Employee Stock Purchase Plan (the Existing ESPP).*

(2) *Consists of the Aetna Inc. 2000 Non-Employee Director Compensation Plan. No shares of Common Stock are available for future awards under this Plan.*

(3) *Consists of all outstanding awards under the applicable plans, including SARs, PSARs, RSUs, PSUs, MSUs and other stock-based awards. Amount shown assumes maximum performance for all outstanding awards.*

(4) *Amounts in this column do not take into account outstanding deferred stock units, MSUs, PSUs or RSUs.*

(5) *Consists of 13,394,197 shares of Common Stock available for future issuance under the 2010 Stock Plan; 222,383 shares of Common Stock available for future issuance under the 2010 Director Plan; and 4,313,400 shares of Common Stock available for future issuance under the Existing ESPP. Shares available under the 2010 Stock Plan and the 2010 Director Plan may become the subject of future awards in the form of stock options, SARs, PSARs, restricted stock, RSUs, PSUs, MSUs and other stock-based awards. Only shares of Common Stock are issuable under the Existing ESPP. As of December 31, 2015, employees had committed an aggregate of approximately $17.3 million to purchase Common Stock under the Existing ESPP. This purchase will occur on June 3, 2016, at a purchase price equal to 95% of the fair market value of the Common Stock on the purchase date.*

EXECUTIVE COMPENSATION

2000 Non-Employee Director Compensation Plan

The Aetna Inc. 2000 Non-Employee Director Plan (the Prior Director Plan) was replaced by the 2010 Director Plan. The Prior Director Plan was not submitted to shareholders for approval and permitted Aetna s eligible Directors to receive shares of Common Stock, deferred stock units, RSUs and other stock-based awards in recognition of their contributions. The Prior Director Plan expired on April 30,

2010. No shares of Common Stock remain available for future awards under the Prior Director Plan. At December 31, 2015, the maximum number of shares of Common Stock that may be issued under the awards outstanding under the Prior Director Plan was 360,136 shares, subject to adjustment for corporate transactions, and no shares remained available for future awards.

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COMPENSATION COMMITTEE REPORT

The Board has determined in its business judgment that all members of the Compensation Committee meet the independence requirements set forth in the NYSE listing standards and in Aetna s Director Independence Standards.

The Committee operates pursuant to a Charter that was last reviewed and amended by the Board in December 2015. The Compensation Committee Charter can be found at **www.aetna.com/about-us/corporate-governance/committees-of-the-board.html.**

The Compensation Committee has reviewed and discussed the Company s Compensation Discussion and Analysis

included in this Proxy Statement with management. Based on this review and discussion, the Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Committee on Compensation and Talent Management

Roger N. Farah, *Chair*

Frank M. Clark

Barbara Hackman Franklin

Jeffrey E. Garten

Edward J. Ludwig

REPORT OF THE AUDIT COMMITTEE

The Board has determined in its business judgment that all members of the Audit Committee meet the independence, financial literacy and expertise requirements for audit committee members set forth in the NYSE listing standards. Additionally, the Board has determined in its business judgment that Messrs. Aguirre, Harrington and Newhouse and Mrs. Hancock, based on his or her background and experience (including that described in this Proxy Statement), has the requisite attributes of an audit committee financial expert as defined by the SEC.

The Committee assists the Board in its oversight of (1) the integrity of the financial statements of the Company, (2) the qualifications and independence of the Company s independent registered public accounting firm (the Independent Accountants), (3) the performance of the Company s internal audit function and the Independent Accountants, and (4) the compliance by the Company with legal and regulatory requirements. The Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the Independent Accountants and any other accounting firm engaged to perform audit, review or attest services (including the resolution of any disagreements between management and any auditor regarding financial reporting). The Independent

Accountants and any other such accounting firm report directly to the Committee.

The Committee operates pursuant to a Charter that was last amended and restated by the Board in December 2015. The Audit Committee Charter can be found at **www.aetna.com/about-us/corporate-governance/committees-of-the-board.html.**

As set forth in the Audit Committee Charter, Aetna s management is responsible for the preparation, presentation and integrity of Aetna s financial statements and management s annual assessment of Aetna s internal control over financial reporting. Aetna s management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Independent Accountants are responsible for planning and carrying out proper annual audits and quarterly reviews of Aetna s financial statements. In conjunction with the Company s annual report, the Independent Accountants express an opinion as to the conformity of the Company s financial statements with U.S. generally accepted accounting principles and the effectiveness of the Company s internal control over financial reporting. The Independent Accountants also provide review reports regarding the Company s quarterly financial statements.

In the performance of its oversight function, the Committee has reviewed and discussed the Company s audited financial statements for 2015 with management and the Independent Accountants. The Committee has also discussed with the Independent Accountants the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board (United States) and Rule 3200T and/or Auditing Standard No. 16, Communications with Audit Committees, as adopted by the

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II. APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Public Company Accounting Oversight Board (United States). The Committee has also received the written disclosures and the letter from the Independent Accountants required by applicable requirements of the Public Company Accounting Oversight Board regarding the Independent Accountants communications with the Committee concerning independence, and has discussed with the Independent Accountants their independence.

Members of the Committee are not employees of Aetna and, as such, it is not the duty or responsibility of the Committee or its members to conduct auditing or accounting reviews or procedures. In performing their oversight responsibility, members of the Committee rely on information, opinions, reports and statements, including financial statements and other financial data, prepared or presented by officers or employees of Aetna, legal counsel, the Independent Accountants or other persons with professional or expert competence. Accordingly, the Committee s oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles and policies, or internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the

Committee s considerations and discussions referred to above do not assure that the audit of the Company s financial statements by the Independent Accountants has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States), that the Company s financial statements are presented in accordance with U.S. generally accepted accounting principles, that the Company s internal control over financial reporting is effective or that the Independent Accountants are in fact independent.

Based upon the reports, review and discussions described in this Report, and subject to the limitations on the role and responsibilities of the Committee, certain of which are referred to above and in its Charter, the Committee recommended to the Board that the audited financial statements be included in Aetna s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC.

The Audit Committee

Richard J. Harrington, *Chair*

Fernando Aguirre

Ellen M. Hancock

Joseph P. Newhouse

Olympia J. Snowe

II. APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed KPMG LLP to audit the Company s consolidated financial statements for 2015. The Audit Committee and the Board believe that the retention of KPMG LLP as the Company s independent registered public accounting firm is in the best interests of the Company and its shareholders. The Audit Committee and the Board recommend that shareholders approve KPMG LLP as the Company s independent registered public accounting firm (the Independent Accountants) for 2016. Representatives of the firm are expected to be available at the Annual Meeting to make a statement if the firm desires and to respond to appropriate questions.

Nonaudit Services and Other Relationships Between the Company and the Independent Registered Public Accounting Firm

The Company s practice is not to have the Independent Accountants provide financial information systems design and implementation consulting services. Instead, these services are provided by other accounting or consulting

firms. Other types of permissible consulting services have been provided by the Independent Accountants or other accounting and consulting firms from time to time. All new services provided by the Independent Accountants must be approved in advance by the Audit Committee regardless of the size of the engagement. The Chair of the Audit Committee may approve any proposed engagements that arise between Committee meetings, provided that any such decision is presented to the full Committee at its next scheduled meeting.

In addition, management may not hire as an employee a person who within the last three years was an employee of the Independent Accountants and participated in the audit engagement of the Company s financial statements if the hiring is prohibited by SEC rules or if the Audit Committee determines that the hiring of such person would impair the independence of the Independent Accountants.

The independence of the Independent Accountants is considered annually by the Audit Committee and Board. In order to assure continuing auditor independence, the Audit

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III. APPROVAL OF AETNA INC. 2016 EMPLOYEE STOCK PURCHASE PLAN

Committee periodically considers whether to rotate the independent registered public accounting firm. In conjunction with the mandated rotation of the Independent Accountants lead engagement partner, the Audit Committee is directly involved in the selection of the Independent Accountants new lead engagement partner.

Fees Incurred for 2015 and 2014 Services Performed by the Independent Registered Public Accounting Firm

The Audit Committee oversees the fee negotiations for all services rendered to the Company by the Independent

Accountants. The table below provides details of the fees paid to KPMG LLP by the Company for services rendered in 2015 and 2014. All such services were approved in advance by the Audit Committee or the Chair of the Audit Committee. As shown in the table below, audit and audit-related fees totaled approximately 97% and 98% of the aggregate fees paid to KPMG LLP for 2015 and 2014, respectively; and the remaining fees were for tax and other services in 2015 and tax services only in 2014.

	2015	**2014**
Audit Fees(1)	$ 14,313,600	$ 14,891,500
Audit-Related Fees(2)		
Servicing Reports/Internal Controls	1,184,500	1,178,500
Employee Benefit Plan Audits	157,000	207,000
Audit/Attest Services Not Required by Statute or Regulation	216,000	60,000
	$ 15,871,100	$ 16,337,000
Tax Fees(3)	470,000	254,500
All Other Fees(4)	46,900	0
Total Fees	$ 16,388,000	$ 16,591,500

(1) Audit Fees include all services performed to comply with generally accepted auditing standards and services that generally only the Independent Accountants can provide, such as comfort letters, statutory audits, attest services, consents and assistance with, and review of, documents filed with the SEC. For the Company, these fees include the integrated audit of the Company s consolidated financial statements and the effectiveness of internal control over financial reporting, quarterly reviews, statutory audits of the Company s subsidiaries required by statute or regulation, attest services required by applicable law, comfort letters in connection with debt issuances, consents and assistance with, and review of, documents filed with the SEC.

(2) Audit-Related Fees are for audit and related attest services that traditionally are performed by the Independent Accountants, and include servicing reports, employee benefit plan audits, and audits or agreed-upon procedures that are not required by applicable law, and due diligence pertaining to business combinations. Servicing reports represent reviews of the Company s claim administration and certain health data processing functions that are provided to customers.

(3)

Tax Fees include all services performed by professional staff in the Independent Accountants tax division for tax return and related compliance services, except for those tax services related to the audit.

(4)All Other Fees are for advisory services related to realignment of international subsidiaries and international subsidiary capital regulatory requirements.

The affirmative vote of a majority of the votes cast is required for approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm for 2016. The Audit Committee and the Board recommend a vote FOR the approval of KPMG LLP as the Company s independent registered public

accounting firm for 2016. If you complete the enclosed proxy card, unless you direct to the contrary on that card, the shares represented by that proxy card will be voted FOR approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm for 2016.

III. APPROVAL OF AETNA INC. 2016 EMPLOYEE STOCK PURCHASE PLAN

Introduction

Subject to shareholder approval at the Annual Meeting, on February 19, 2016, the Board, on the recommendation of the Compensation Committee, unanimously adopted the Aetna Inc. 2016 Employee Stock Purchase Plan (the 2016

ESPP). Aetna s shareholders previously approved Aetna s existing employee stock purchase plan (the Existing ESPP) at the 2011 Annual Meeting. No offering under the Existing ESPP may commence after July 1, 2016.

III. APPROVAL OF AETNA INC. 2016 EMPLOYEE STOCK PURCHASE PLAN

Summary of the Aetna Inc. 2016 Employee Stock Purchase Plan

The following summary of the 2016 ESPP is qualified in its entirety by reference to the complete text thereof, which is attached to this Proxy Statement as Annex C.

The purpose of the 2016 ESPP is to provide employment incentive through a capital accumulation opportunity, link employee and shareholder interests and provide an opportunity for employees to purchase Common Stock through payroll deductions.

Under the 2016 ESPP, 5,000,000 shares of Common Stock are authorized for purchase. At the close of business on the Record Date there were 350,528,232 shares of Common Stock outstanding. Five million shares of Common Stock were authorized for purchase under the Existing ESPP when it was approved by shareholders; and at the close of business on the Record Date approximately 4,313,400 shares of Common Stock had been purchased under the Existing ESPP.

Employees who are employed by Aetna or a participating subsidiary immediately prior to the first day of an offering under the 2016 ESPP are eligible to participate in such offering. It is anticipated that there will be approximately 51,000 employees eligible to participate in the 2016 ESPP.

The 2016 ESPP provides that the Compensation Committee may from time to time determine the date on which Aetna shall commence an offering to all eligible employees for the purchase of Common Stock. Each offering will provide that an eligible employee may elect to purchase a number of shares of Common Stock determined by the Compensation Committee. Notwithstanding the above, no employee may be eligible to receive rights to purchase shares in any single calendar year having an aggregate fair market value at the time of grant in excess of $25,000. Each offering shall have a stated term as determined by the Compensation Committee but not longer than 27 months and may have a purchase price of not less than the lesser of 85% of the fair market value of a share of Common Stock on the grant date of the purchase right or the last day of that offering.

A participant may elect not to purchase all (but not less than all) of the shares covered by his or her purchase right prior

to the end of any such purchase period. It is anticipated that cash proceeds received by Aetna from any sale of Common Stock under the 2016 ESPP will be used for general corporate purposes.

Under the terms of the 2016 ESPP, the shares of Common Stock authorized to be sold will be authorized and unissued Common Stock. The 2016 ESPP provides for adjustments in the number of shares which may be purchased and the purchase price in the case of certain changes in Aetna s capital structure and other corporate events when the Compensation Committee deems such adjustments to be necessary in order to preserve the benefits or potential benefits to be made available under the 2016 ESPP. Upon a change in control of Aetna, the expiration date of the offering shall be deemed to have occurred, and all the outstanding purchase rights will be deemed to have been exercised.

The Compensation Committee shall have sole discretion in determining when to make offers and which Aetna subsidiaries shall be eligible to participate in such offerings under the 2016 ESPP. In addition, each offering shall contain such terms and conditions not inconsistent with the 2016 ESPP as the Compensation Committee shall prescribe. The terms of each offering will be communicated to each eligible employee. The offerings made under the 2016 ESPP are subject to applicable tax withholding requirements and may not be assigned or transferred.

No offering may commence under the 2016 ESPP after July 1, 2021. The 2016 ESPP may be amended or terminated at any time by the Board (and in some circumstances, the Compensation Committee), except that no amendment may be made without shareholder approval if such approval is necessary to comply with any tax or regulatory requirement with which the Compensation Committee has determined it is necessary or desirable to have Aetna comply.

The 2016 ESPP is not subject to any of the provisions of ERISA and is not qualified under Section 401(a) of the Code.

Certain United States Federal Income Tax Consequences

Under Section 423 of the Code, employees will not realize taxable income upon the grant of a purchase right under the 2016 ESPP or when they complete their purchase for cash and receive delivery of the stock which they are eligible to

purchase, provided such purchase occurs while they are employed or within three months after termination of employment. If no disposition of such stock is made within two years after the grant date or within one year after the

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III. APPROVAL OF AETNA INC. 2016 EMPLOYEE STOCK PURCHASE PLAN

date of acquisition, any gain or loss that may be realized on the ultimate sale will be treated as long-term capital gain or loss. Notwithstanding the above, if the purchase price of the stock when acquired is less than 100% of the then fair market value, upon a subsequent disposition of the stock by the employee, including a disposition after the two-year and one-year periods referred to above, or the death of the employee while holding such stock, the employee will recognize compensation taxable as ordinary income in an amount equal to the discount at the time of the grant or, if less, the excess of the stock s value at the time of such disposition or death, as the case may be, over the original purchase price. The amount of ordinary income recognized by the employee will decrease the capital gain or increase the capital loss recognized by the employee on the sale of the stock. The employer is not allowed a deduction for the compensation.

However, if such stock is disposed of within such two-year or one-year periods, the difference between the market value of such stock at the time of purchase and the purchase price will be treated as income taxable to the employee at ordinary income rates in the year in which the disposition occurs, and the employer will be entitled to a deduction from income in the same amount in such year, except to the extent disallowed by other provisions of the Code. The amount of ordinary income recognized by the employee will decrease the capital gain or increase the capital loss recognized by the employee on the sale of the stock.

Participation; Initial Offering

It is not possible to determine at this time the extent to which, if at all, the executive officers named in the 2015 Summary Compensation Table on page 41 will elect to participate in the 2016 ESPP. None of those executive officers participated in the Existing ESPP in 2015. Set forth below is the number of shares purchased under the Existing ESPP in 2015 and the dollar value of the aggregate discount on such shares in 2015, in each case by the person(s) identified in the table.

It is anticipated that the initial offering under the 2016 ESPP, if approved by Aetna s shareholders, will commence in June 2016 and terminate in December 2016, with a per share purchase price equal to 95% of the fair market value of a share of Common Stock on the termination date of the offering period.

New Plan Benefits

Benefits under the 2016 ESPP depend on employees elections to participate in the 2016 ESPP and the fair market value of the Common Stock at various future dates. Therefore, it is not possible to determine future benefits that will be received by participants in the 2016 ESPP. Set forth below is a summary of the benefits with respect to fiscal 2015 pursuant to the Existing ESPP.

Name and Position	Dollar Value of Aggregate Discount in 2015	Number of Shares Purchased in 2015
Mark T. Bertolini Chairman and Chief Executive Officer	$ 0	0

Shawn M. Guertin Executive Vice President, CFO and Chief Enterprise Risk Officer	0	0
Gary W. Loveman, Ph.D. Executive Vice President, Consumer Health and Services	0	0
Karen S. Lynch President	0	0
Francis S. Soistman, Jr. Executive Vice President, Government Services	0	0
Executive Group (8 members)	0	0
Non-Executive Director Group (12 members)	Not applicable	Not applicable
Non-Executive Officer Employee Group	$15,030,245	143,263

Approval of the Aetna Inc. 2016 Employee Stock Purchase Plan requires a majority of the votes cast on the Aetna Inc. 2016 Employee Stock Purchase Plan (which for this proposal includes votes cast FOR or AGAINST the proposal as well as abstentions) to be FOR the Aetna Inc. 2016 Employee Stock Purchase Plan. The Board recommends a vote FOR the approval

of the Aetna Inc. 2016 Employee Stock Purchase Plan. If you complete the enclosed proxy card, unless you direct to the contrary on that card, the shares represented by that proxy card will be voted FOR approval of the Aetna Inc. 2016 Employee Stock Purchase Plan.

IV. APPROVAL OF THE COMPANY S EXECUTIVE COMPENSATION ON A NON-BINDING ADVISORY BASIS

In accordance with Section 14A of the Exchange Act (15 U.S.C. 78n-l) (Section 14A), Aetna is providing shareholders with the opportunity to cast a non-binding advisory vote on the fiscal 2015 compensation of our NEOs (sometimes referred to as say-on-pay). This vote is not intended to address any specific item of compensation, but rather the overall compensation for our NEOs and our compensation philosophy, policies and practices as disclosed in the Compensation Discussion and Analysis and Executive Compensation sections of this Proxy Statement. Accordingly, you may vote on the following resolution at the Annual Meeting:

Resolved, that the shareholders of Aetna Inc. (Aetna) hereby approve, on an advisory basis, the compensation paid to Aetna s Named Executive Officers, as disclosed in Aetna s Proxy Statement for the 2016 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables and the narrative discussion.

As described in detail under Compensation Discussion and Analysis and Executive Compensation, our compensation programs are designed to motivate our executives to manage and grow a successful company. If fully earned based on the achievement of performance goals, equity compensation in the form of PSARs and PSUs that are subject to performance-based vesting and SARs and MSUs, the number and/or value of which is

determined by our stock price performance, are the largest component of executive compensation. We believe that our compensation program, with its balance of short-term incentives (including cash bonus awards) and long-term incentives (including SARs and PSUs) and share ownership guidelines, rewards sustained performance that is aligned with long-term shareholder interests. Shareholders are encouraged to read the Compensation Discussion and Analysis and Executive Compensation sections of this Proxy Statement, the accompanying compensation tables, and the related narrative disclosure.

This advisory vote is non-binding. The Compensation Committee, which is comprised solely of independent Directors, and the Board value the opinions of all of our shareholders and expect to take into account the outcome of this vote when considering future executive compensation decisions for our NEOs.

The affirmative vote of a majority of the votes cast is required for the non-binding advisory vote on executive compensation to be considered approved. The Board recommends a vote FOR the approval, on an advisory basis, of the proposed resolution on the compensation of Aetna s Named Executive Officers. If you complete the enclosed proxy card, unless you direct to the contrary on that card, the shares represented by that proxy card will be voted FOR approval, on an advisory basis, of such compensation.

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V. SHAREHOLDER PROPOSAL

Political Contributions Disclosure

The Comptroller of the State of New York, Thomas P. DiNapoli, trustee of the New York State Common Retirement Fund and the administrative head of the New York State and Local Retirement System, 59 Maiden Lane-30th Floor, New York, NY 10038 (owner of Common Stock valued in excess of $2,000), has advised Aetna that he plans to present the following proposal at the Annual Meeting. The proposal is included in this Proxy Statement pursuant to the rules of the SEC.

RESOLVED, that shareholders of Aetna, Inc. (Aetna) request that the Board of Directors amend Aetna s Political Contributions Policy (the Policy) to provide that Aetna will disclose annually all payments it made in the previous calendar year to tax-exempt organizations (other than charitable organizations not permitted to engage in lobbying as a substantial part of their activities) that were used, or that Aetna had reasonable grounds to believe were used, for a political purpose, including the recipient and amount of the payment.

A political purpose is (a) lobbying at the federal, state or local level; (b) participation or intervention in any political campaign on behalf of or in opposition to any candidate, or efforts to influence the general public, or any segment thereof, with respect to an election or referendum; (c) directing a communication to the public that refers to, reflects a view on and encourages the recipient to take action with respect to legislation or regulation; or (d) drafting and endorsing model legislation.

Supporting Statement

As long-term Aetna shareholders, we believe it is important that Aetna publicly disclose all direct and indirect political expenditures. Lack of transparency prevents shareholders from evaluating whether funds are used to promote value creation, or to pursue private managerial preferences or activities that are misaligned with Aetna s strategy or values.

Payments to politically active tax-exempt organizations create special risks for companies. Aetna s Policy does not commit the company to disclosing any payments publicly,

including payments to tax-exempt organizations used for political purposes. (See **http://www.aetna.com/about-aetna-insurance/initiatives/political-action-committee.html**) The Policy incorporates by reference Aetna s Political Contributions and Related Activity Report (the Report), which is written by members of Aetna s management team. We believe this has it backwards: Aetna s board should decide which payments are disclosed, not members of management.

Aetna s 2011 Report did disclose a $4,000,000 payment to the US Chamber of Commerce for voter education. The Chamber has described its voter education initiative as informing voters about the positions taken by a number of specific Democratic candidates. (**http://www.uschamber.com/press/releases/2012/july/us-chamber-launches-new-voter-education-campaign-five-senate-battleground-r**; (last visited Nov. 15, 2012)) There is no assurance, however, that Aetna will continue making such disclosure in the absence of a board-level commitment to doing so.

In addition, the 2011 Report did not disclose a $3,000,000 payment Aetna made to the American Action Network (AAN), a tax-exempt organization that, in the 2011-2012 election cycle, conducted high profile public advocacy campaigns in support of, and in opposition to, candidates for political office. (Aetna inadvertently disclosed the payment in a state insurance filing in mid-2012). (**http://www.opensecrets.org/outsidespending/detail.php?cmte=Amercan+Action+Network**)

In our view, funding partisan organizations like the Chamber and AAN may not be in the best interests of Aetna and its shareholders. We are concerned that in committing substantial corporate resources to influence the political process, Aetna may have given insufficient attention to maximizing value in the current regulatory environment. Disclosure of payments to such organizations would enable shareholders to assess the risks they pose.

We urge shareholders to vote for this proposal.

The affirmative vote of a majority of the votes cast is required for approval of the foregoing proposal.

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V. SHAREHOLDER PROPOSAL

Company Response

THE BOARD OF DIRECTORS WILL OPPOSE THIS PROPOSAL IF IT IS INTRODUCED AT THE 2016 ANNUAL MEETING AND RECOMMENDS A VOTE *AGAINST* THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Company is an active participant in the political process at all levels of government and seeks to promote political interests that are aligned with the business interests of the Company, its shareholders and its members. We agree that transparency and accountability with respect to political expenditures are important. That is why the Company publishes annually its Political Contributions and Related Activity Report. Our 2014 report is available on our website at **http://www.aetna.com/about-aetna-insurance/document-library/pac/2014-Aetna-PAC-annual-report.pdf**. The 2015 report will become available after it has been reviewed by the Audit Committee.

The Company complies fully with all state and federal laws concerning the disclosure of its political and lobbying activity. In addition, it makes available additional information beyond that required by current laws and regulations. With respect to oversight, the Company s Audit Committee reviews the Company s Political Contributions and Related Activity Report prior to publication. In addition, management

regularly discusses public policy issues and political activities with our full Board. Given the importance of public policy to the health care industry and our business, our Board will continue to exercise oversight with respect to public policy matters.

We believe that the information currently available to shareholders is easily accessible and understandable and, coupled with the oversight of the Company s political activities by the Board, is in the best interest of the Company. As a result, we do not believe additional disclosure is warranted at this time.

This identical shareholder proposal was presented to shareholders at our 2015 and 2014 annual meetings and a similar proposal related to political contribution disclosure practices was presented to our shareholders at our 2012 annual meeting. 70.99%, 72.84% and 89.98% of the votes cast at the respective meetings were voted *against* the proposal, reflecting our shareholders agreement that our current disclosure practices meet or exceed their expectations.

For these reasons, the Board opposes this proposal and recommends a vote against the proposal.

If you complete the enclosed proxy card, unless you direct to the contrary on that card, the shares represented by that proxy card will be voted AGAINST the foregoing proposal.

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Why Am I Receiving This Proxy Statement?

The Board is providing these proxy materials to you in connection with the solicitation by the Board of proxies to be voted at Aetna s Annual Meeting of Shareholders that will take place at 9:30 a.m. Eastern time on May 20, 2016, and any adjournments or postponements of the Meeting.

You are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement. A notice of the Internet availability of proxy materials or the proxy materials and an enclosed proxy card are being mailed to shareholders beginning on or about April 8, 2016.

Why Did I Receive in the Mail a Notice of the Internet Availability of Proxy Materials?

You received in the mail either a notice of the Internet availability of proxy materials or a printed Proxy Statement and 2015 Annual Report, Financial Report to Shareholders because you owned Aetna common shares at the close of business on March 18, 2016, the RECORD DATE, and that entitles you to vote at the Annual Meeting. The Board is soliciting your proxy to vote at the Annual Meeting or at any later meeting if the Annual Meeting is adjourned or postponed for any reason. Your proxy will authorize specified people (proxies) to vote on your behalf at the Annual Meeting. By use of a proxy, you can vote whether or not you attend the meeting.

This Proxy Statement describes the matters on which Aetna would like you to vote, provides information on those matters, and provides information about Aetna that we must disclose when we solicit your proxy.

Pursuant to rules adopted by the SEC, we have elected to provide access to our proxy materials over the Internet to many shareholders. We believe that Internet delivery of our

proxy materials allows us to provide our shareholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials, which we refer to as the Notice , to many of our shareholders (including beneficial owners) as of the Record Date. Our shareholders who receive the Notice will have the ability to access the proxy materials on a website referred to in the Notice or request to receive a printed set of the proxy materials. The Notice contains instructions on how to access the proxy materials over the Internet or to request a printed copy. In addition, shareholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis by calling Broadridge Financial Solutions, Inc. (Broadridge) at 1-800-579-1639. Please note that you may not vote using the Notice. The Notice identifies the items to be voted on at the Annual Meeting and describes how to vote, but you cannot vote by marking the Notice and returning it.

Are the Proxy Materials Available Online?

Yes. As described in more detail in response to the prior question, most shareholders will receive the Proxy Statement online. If you received a paper copy, you can also view these documents on the Internet at **www.proxyvote.com**.

What Information Is Contained in These Materials?

This Proxy Statement provides you with information about Aetna s governance structure, our Director nominating process, the proposals to be voted on at the Annual Meeting, the voting process, the compensation of our Directors and our named executive officers, and certain other required information.

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

What Proposals Will Be Voted on at the Annual Meeting?

There are five items scheduled to be voted on at the Annual Meeting:

Election of the 12 nominees named in this Proxy Statement as Directors of Aetna for the coming year.

Approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year 2016.
Approval of the proposed Aetna Inc. 2016 Employee Stock Purchase Plan.

Approval of the Company s executive compensation on a non-binding advisory basis.

Consideration of a shareholder proposal relating to amending Aetna s political contributions policy to require certain additional disclosure of political contributions, if properly presented at the Annual Meeting.

What Are Aetna s Voting Recommendations?

The Board recommends that you vote your shares as follows:

FOR each of Aetna s nominees to the Board;

FOR the approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year 2016;

FOR the approval of the proposed Aetna Inc. 2016 Employee Stock Purchase Plan;

FOR the approval of the Company s executive compensation on a non-binding advisory basis; and

AGAINST the shareholder proposal.

Which of My Shares Can I Vote?

You may vote all Common Stock that you owned as of the close of business on March 18, 2016, the RECORD DATE. These shares include those (1) held directly in your name as the SHAREHOLDER OF RECORD, including shares

purchased through Aetna s Computershare Investment Plan, and (2) held for you as the BENEFICIAL OWNER through a stockbroker, bank or other holder of record.

What Is the Difference Between Holding Shares as a Shareholder of Record and as a Beneficial Owner?

Many Aetna shareholders hold their shares through a stockbroker, bank or other holder of record rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially:

SHAREHOLDER OF RECORD If your shares are registered directly in your name with Aetna s transfer agent, Computershare Trust Company, N.A. (the Transfer Agent), you are considered the shareholder of record with respect to those shares, and Aetna is sending these proxy materials or the Notice directly to you. As the shareholder of record, you have the right to grant your voting proxy to the persons appointed by Aetna, to vote in person at the Annual Meeting or to grant your voting proxy to your representative. Aetna has enclosed a proxy card for you to use. Any shares held for you under Aetna s Computershare Investment Plan are included on the enclosed proxy card.

BENEFICIAL OWNER If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name, and these proxy materials or the Notice are being forwarded to you by your broker or other nominee who is considered the shareholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker or other nominee on how to vote your shares, and you also are invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting unless you bring with you to the Annual Meeting a proxy, executed in your favor, from the shareholder of record. Your broker or other nominee

also is obligated to provide you with a voting instruction card for you to use to direct them as to how to vote your shares.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

How Can I Vote My Shares Before the Annual Meeting?

Whether you hold shares directly as the shareholder of record or beneficially in street name, you may vote before the Annual Meeting by granting a proxy to each of Ellen M. Hancock, Richard J. Harrington and Edward J. Ludwig or, for shares you beneficially own, by submitting voting instructions to your broker or other nominee. Shareholders have a choice of voting by using the Internet, by calling a toll-free telephone number within the United States or Puerto Rico, or by completing a proxy or voting instruction

card and mailing it in the postage-paid envelope provided. Please refer to the summary instructions below and carefully follow the instructions included on your Notice, your proxy card or, for shares you beneficially own, the voting instruction card provided by your broker or other nominee. Please note that you may not vote using the Notice. The Notice identifies the items to be voted on at the Annual Meeting and describes how to vote, but you cannot vote by marking the Notice and returning it.

VIA THE INTERNET*

Go to **www.proxyvote.com** and follow the instructions

BY TELEPHONE*

Call toll-free on a touchtone telephone 1-800-690-6903 inside the United States or Puerto Rico and follow the instructions

BY MAIL**

Mark, sign, date and return your proxy card, or, for shares held in street name, the voting instruction card provided by your broker or other nominee and mail it back to your broker or other nominee in accordance with their instructions

IN PERSON

Attend the Annual Meeting in Avon, CT

*You will need to have your proxy card (or the Notice or the e-mail message you receive with instructions on how to vote) in hand when you access the website or call.

The Internet and telephone voting procedures are designed to authenticate shareholders and to allow shareholders to confirm that their instructions have been properly recorded. In order to provide shareholders of record with additional time to vote their shares while still permitting an orderly tabulation of votes, Internet and telephone voting for these shareholders will be available until 11:59 p.m. Eastern time on May 19, 2016.

**If you provide specific voting instructions, your shares will be voted as you instruct. If you sign and date your proxy or voting instruction card but do not provide instructions, your shares will be voted as described under What If I

Return My Proxy Card or Voting Instruction Card But Do Not Provide Voting Instructions?   beginning on page 70.

How Can I Vote the Shares I Hold Through the 401(k) Plan?

We maintain the 401(k) Plan for our employees. Participants in the 401(k) Plan who receive this Proxy Statement in their capacity as participants in the 401(k) Plan will receive voting instruction cards instead of proxy cards. The voting instruction card directs the trustee of the 401(k) Plan to vote the shares shown on the card as indicated on the card. Shares held through the 401(k) Plan may be voted by using the Internet, by calling a toll-free telephone number or by marking, signing and dating the voting instruction card and mailing it to the trustee of the 401(k) Plan in accordance with

the trustee s instructions. Internet and telephone voting of shares held through the 401(k) Plan will be available until 11:59 p.m. Eastern time on May 17, 2016. Shares held through the 401(k) Plan for which no instructions are received will be voted by the trustee of the 401(k) Plan in the same percentage as the shares held through the 401(k) Plan for which the trustee receives voting instructions. You may not vote the shares you hold through the 401(k) Plan at the Annual Meeting.

How Can I Vote the Shares I Acquired Through an Aetna Employee Stock Purchase Plan?

You hold the Common Stock you acquired through any of Aetna s employee stock purchase plans as the beneficial owner of shares held in street name. You can vote these shares as described above under How Can I Vote My Shares Before the Annual Meeting?

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Can I Change My Vote?

Yes. For shares you hold directly in your name, you may change your vote by (1) signing another proxy card with a later date and delivering it to us before the date of the Annual Meeting, (2) submitting revised votes over the Internet or by telephone before 11:59 p.m. Eastern time on May 19, 2016, or (3) attending the Annual Meeting in person and voting our shares at the Annual Meeting. The last-dated proxy card or Internet or telephone vote will be the only one that counts. Attendance at the Annual Meeting will not cause your previously granted proxy or Internet or telephone

vote to be revoked unless you specifically so request. You may revoke your proxy by providing written notice to Aetna s Corporate Secretary at 151 Farmington Avenue, RW61, Hartford, CT 06156. For shares you hold beneficially, you may change your vote by submitting new voting instructions to your broker or other nominee in accordance with the instructions you receive from your broker or other nominee and in a manner that allows your broker or other nominee sufficient time to process your new instructions and vote your shares.

Can I Vote at the Annual Meeting?

You may vote your shares at the Annual Meeting if you attend in person. You may vote the shares you hold directly in your name by completing a ballot at the Annual Meeting. You may only vote the shares you hold in street name at the

Annual Meeting if you bring with you to the Annual Meeting a proxy, executed in your favor, from the shareholder of record. You may not vote the shares you hold through the 401(k) Plan at the Annual Meeting.

How Can I Vote on Each Proposal?

In the election of Directors, you may vote FOR or AGAINST or ABSTAIN with respect to each of the Director nominees. For all other proposals, you may vote FOR or AGAINST or ABSTAIN. For a discussion of the votes

needed to approve

each proposal, see What Is the Voting Requirement to Approve Each of the Proposals, and How Will Votes Be Counted? on page 72.

What If I Return My Proxy Card or Voting Instruction Card But Do Not Provide Voting Instructions?

If you sign and date your proxy card with no further instructions, your shares will be voted:

- FOR the election as Directors of each of the nominees named on pages 14 through 21 of this Proxy Statement;
- FOR the approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year 2016;
- FOR the approval of the proposed Aetna Inc. 2016 Employee Stock Purchase Plan;
- FOR the approval of the Company s executive compensation on a non-binding advisory basis; and
- AGAINST the shareholder proposal.

If you sign and date your broker voting instruction card with no further instructions, your shares will be voted as described on your broker voting instruction card.

If you sign and date 401(k) Plan voting instruction card with no further instructions, all shares you hold through the 401(k) Plan will be voted by the trustee of the 401(k) Plan in the same percentage as the shares held through the 401(k) Plan for which the trustee receives voting instructions.

What If I Don t Return My Proxy Card or Voting Instruction Card and Don t Vote By Internet or Phone?

If you do not return your proxy card and do not vote by Internet or phone, shares that you hold directly in your name (i.e., shares for which you are the shareholder of record) will not be voted at the Annual Meeting. If you do not return your voting instruction card and do not vote by Internet or phone, shares that you beneficially own that are held in the name of a brokerage firm or other nominee may be voted in

certain circumstances even if you do not provide the brokerage firm with voting instructions. Under NYSE rules, brokerage firms have the authority to vote shares for which their customers do not provide voting instructions on certain routine matters. The approval of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year 2016 is considered a routine

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

matter for which brokerage firms may vote uninstructed shares. The election of Directors; the approval of the proposed Aetna Inc. 2016 Employee Stock Purchase Plan; the approval of the Company s executive compensation on a non-binding advisory basis; and the shareholder proposal to be voted on at the Annual Meeting are not considered

routine under the applicable rules, and therefore brokerage firms may not vote uninstructed shares on any of those proposals. Any uninstructed shares you hold through the 401(k) Plan will be voted by the trustee of the 401(k) Plan in the same percentage as the shares held through the 401(k) Plan for which the trustee receives voting instructions.

What Does It Mean If I Receive More Than One Set of Proxy Materials?

It means your shares are registered differently or are in more than one account. Please provide voting instructions for all of the Notices and proxy and voting instruction cards you receive.

What Should I Do If I Want to Attend the Annual Meeting?

The Annual Meeting will be held at the Avon Old Farms Hotel, in Avon, CT. Directions to the Avon Old Farms Hotel are on page B-1. The Annual Meeting is open to all shareholders as of the RECORD DATE (the close of business on March 18, 2016) or their authorized

representatives. Anyone who attends the Annual Meeting must have an admission ticket. Follow the instructions below under How Can I Obtain an Admission Ticket for the Annual Meeting? to obtain an admission ticket.

How Can I Obtain an Admission Ticket For the Annual Meeting?

In accordance with Aetna s security procedures, anyone wishing to attend the Annual Meeting must have an admission ticket issued in his or her name. Admission is limited to:

Shareholders at the close of business on March 18, 2016;

An authorized proxy holder of a shareholder of record at the close of business on March 18, 2016; or

An authorized representative of a shareholder of record who has been designated to present a shareholder proposal. You must provide evidence of your ownership of shares with your ticket request and follow the requirements for obtaining an admission ticket specified in the ADMISSION

AND TICKET REQUEST PROCEDURE on page 77. **Aetna s Corporate Secretary must receive your request for an admission ticket on or before May 13, 2016.**

No weapons, cameras, audio or video recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting. Please note that, for security reasons, all bags may be searched, and all persons who attend the Annual Meeting may be required to pass through a metal detector. We will be unable to admit anyone to the Annual Meeting who does not comply with these security procedures. No one will be admitted to the Annual Meeting once the meeting has commenced.

Can I Listen to the Annual Meeting If I Don t Attend in Person?

Yes. You can listen to the live audio webcast of the Annual Meeting by going to Aetna s Internet website at **www.aetna.com/investor** and then clicking on the link to the webcast.

Where Can I Find the Voting Results of the Annual Meeting?

We will publish the voting results of the Annual Meeting in a Current Report on Form 8-K within four business days after the Annual Meeting, and you will be able to find this report on Aetna s Internet website at **www.aetna.com/investor**.

What Class of Shares Is Entitled to Be Voted?

Each share of Common Stock outstanding as of the RECORD DATE (the close of business on March 18, 2016) is entitled to one vote at the Annual Meeting. At the close of business on March 18, 2016, 350,528,232 shares of Common Stock were outstanding.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

How Many Shares Must Be Present to Hold the Annual Meeting?

A majority of the shares of Common Stock outstanding as of the RECORD DATE (the close of business on March 18, 2016) must be present in person or by proxy for us to hold the Annual Meeting and transact business. This is referred to as a quorum. Shares subject to broker nonvotes are counted as present for the purpose of determining the presence of a quorum if the broker votes the shares on a routine matter, such as the appointment of the Company s independent registered public accounting firm. Generally,

broker nonvotes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because the proposal is not a routine matter, and the broker has not received voting instructions from the beneficial owner of the shares. If you abstain from voting on one or more proposals, your shares will be counted as present for purposes of determining the presence of a quorum even if you abstain on all proposals.

What Is the Voting Requirement to Approve Each of the Proposals, and How Will Votes Be Counted?

Under Pennsylvania corporation law and Aetna s Articles of Incorporation and By-Laws, the approval of any corporate action taken at the Annual Meeting is based on votes cast. For the proposals that will be considered at the Annual Meeting, other than the proposed approval of the Aetna Inc. 2016 Employee Stock Purchase Plan (the Plan Proposal), shareholder approval occurs if the votes cast for the proposal exceed the votes cast against the proposal. Votes cast on these proposals means votes for or against a particular proposal, whether by proxy or in person. Abstentions and broker nonvotes are not considered votes cast on these proposals and therefore have no effect on the outcome. In uncontested elections, Directors are elected by a majority of votes cast. As described in more detail on page 2 under Director Elections Majority Voting Standard, in uncontested elections, Aetna s Corporate Governance Guidelines require any incumbent Director nominee who receives more against votes than for votes to promptly submit his or

her resignation for consideration by the Nominating Committee and the Board.

The vote necessary to approve the Plan Proposal, including the impact of abstentions and broker nonvotes, is subject to additional NYSE rules. For the Plan Proposal, under NYSE rules, shareholder approval occurs if a majority of votes cast are for the Plan Proposal. Under NYSE rules, votes cast on the Plan Proposal consist of votes for or against Plan Proposal as well as abstentions. As a result, abstentions have the effect of a vote against the Plan Proposal. Broker nonvotes are not considered votes cast and therefore have no effect on the number of votes cast on the Plan Proposal.

If you are a beneficial owner and do not provide the shareholder of record with voting instructions, your shares may constitute broker nonvotes, as described under How Many Shares Must Be Present to Hold the Annual Meeting? above.

Who Will Bear the Cost of Soliciting Votes For the Annual Meeting?

Aetna will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and the Notice, except that you will pay for Internet access if you choose to access these proxy materials over the Internet. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our Directors, officers and employees, none of whom will receive any additional compensation for such solicitation activities. We

also have hired Georgeson LLC to assist us in the solicitation of votes for a fee of $22,000 plus reasonable out-of-pocket expenses for these services, which vary from year to year. We also will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to beneficial owners of Common Stock and obtaining their voting instructions.

Does Aetna Allow Shareholders to Choose to View Annual Reports to Shareholders and Proxy Statements Via the Internet?

Yes. Aetna allows shareholders of record to choose to view future annual reports to shareholders and proxy statements via the Internet instead of receiving paper copies of these documents in the mail. The 2016 Aetna Inc. Notice of Annual Meeting and Proxy Statement and 2015 Aetna

Annual Report, Financial Report to Shareholders are available on the Internet at **www.proxyvote.com**. Under Pennsylvania law, Aetna may provide shareholders who give Aetna their e-mail addresses with electronic notice of its shareholder meetings as described below.

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

If you are a shareholder of record, you can choose to view annual reports to shareholders and proxy statements via the Internet and save Aetna the cost of producing and mailing these documents in the future by following the instructions under How Do I Elect to View Annual Reports to Shareholders and Proxy Statements Via the Internet? below. If you hold your shares through a stockbroker, bank or other holder of record, check the information provided by that entity for instructions on how to elect to view future notices of shareholder meetings, proxy statements and annual reports via the Internet.

If you are a shareholder of record and choose to receive future notices of shareholder meetings by e-mail and view

future annual reports and proxy statements over the Internet, you must supply an e-mail address, and you will receive your notice of the meeting by e-mail when those materials are posted. The notice you receive will include instructions and contain the Internet address for those materials.

Many shareholders who hold their shares through a stockbroker, bank or other holder of record and elect electronic access will receive an e-mail containing the Internet address to access Aetna s notices of shareholder meetings, proxy statements and annual reports when those materials are posted.

How Do I Elect to View Annual Reports to Shareholders and Proxy Statements Via the Internet?

If you are a shareholder of record and are interested in receiving future notices of shareholder meetings by e-mail and viewing future annual reports and proxy statements on the Internet instead of receiving paper copies of these documents, you may elect this option when voting via the

Internet by going to **www.proxyvote.com** and following the instructions. You will need to have your proxy card (or the Notice or the e-mail message you receive with instructions on how to vote) in hand when you access the website.

What If I Get More Than One Copy of Aetna s Annual Report?

The 2015 Aetna Annual Report, Financial Report to Shareholders is being mailed to shareholders in advance of, or together with, this Proxy Statement. If you hold Aetna shares in your own name and received more than one copy of

the 2015 Aetna Annual Report, Financial Report to Shareholders at your address and wish to reduce the number of reports you receive and save Aetna the cost of producing and mailing these reports, you should contact Aetna s Transfer Agent at 1-800-446-2617 to discontinue the mailing of reports on the accounts you select. At least one account at your address must continue to receive an annual report, unless you elect to view future annual reports over the Internet. The mailing of dividend checks, dividend reinvestment statements, proxy materials and special notices will not be affected by your election to discontinue duplicate mailings of annual reports. Registered shareholders may resume the mailing of an annual report to an account by calling Aetna s Transfer Agent at 1-800-446-2617. If you own shares through a stockbroker, bank or

other holder of record and received more than one 2015 Aetna Annual Report, Financial Report to Shareholders, please contact the holder of record to eliminate duplicate mailings.

Householding occurs when a single copy of our annual report and proxy statement is sent to any household at which two or more shareholders reside if they appear to be members of the same family. This procedure reduces our printing and mailing costs and fees. Shareholders who participate in householding will continue to receive separate proxy cards, and householding will not affect the mailing of account statements or special notices in any way. In 2016, we began householding for registered shareholders. If you are a registered shareholder, please check the appropriate box on your proxy card or select the householding option when you vote by Internet or phone if you would like to participate in our householding program. A number of brokerage firms have instituted householding for shares held in street name.

What If a Director Nominee Is Unwilling or Unable to Serve?

If for any reason one or more of Aetna s nominees is not available to be a candidate for Director, the persons named as proxy holders on your proxy card may vote your shares for such other candidate or candidates as may be nominated by the Board, or the Board may reduce the number of Directors to be elected.

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

What Happens If Additional Proposals Are Presented at the Meeting?

Other than the election of Directors and the other proposals described in this Proxy Statement, Aetna has not received proper notice of, and is not aware of, any matters to be presented for a vote at the Annual Meeting. If you grant a proxy using your proxy card, the persons named as proxies on your proxy card, or any of them, will have discretion to,

and intend to, vote your shares according to their best judgment on any and all additional proposals or other matters properly presented for a vote at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place.

Can I Propose Actions for Consideration at Next Year s Annual Meeting of Shareholders or Nominate Individuals to Serve as Directors?

Yes. You can submit proposals for consideration at future annual meetings, including Director nominations.

SHAREHOLDER PROPOSALS: In order for a shareholder proposal to be considered for inclusion in Aetna s proxy statement for the 2017 Annual Meeting, the written proposal must be RECEIVED by Aetna s Corporate Secretary no later than the close of business Eastern time on December 8, 2016. Such proposals must be sent to: Corporate Secretary, Aetna Inc., 151 Farmington Avenue, RW61, Hartford, CT 06156. Such proposals also will need to comply with the SEC s rules and regulations, namely Rule 14a-8 under the Securities Exchange Act of 1934, as amended, regarding the inclusion of shareholder proposals in Aetna-sponsored proxy materials.

In order for a shareholder proposal to be raised from the floor during the 2017 Annual Meeting instead of being submitted for inclusion in Aetna s proxy statement, the shareholder s written notice must be RECEIVED by Aetna s Corporate Secretary at least 90 calendar days before the date of the 2017 Annual Meeting and must contain the information required by Aetna s By-Laws. Please note that the 90-day advance notice requirement relates only to matters a shareholder wishes to bring before the 2017 Annual Meeting from the floor. It does not apply to proposals a shareholder wishes to have
included in Aetna s proxy statement; that procedure is explained in the immediately preceding paragraph.

NOMINATION OF DIRECTOR CANDIDATES: You may propose Director candidates for consideration by the Nominating Committee. In addition, Aetna s By-Laws permit shareholders to nominate Directors for consideration at a meeting of shareholders at which one or more Directors are to be elected. In order to nominate a Director candidate at the 2017 Annual Meeting, the shareholder s written notice must be RECEIVED by Aetna s Corporate Secretary at least 90 calendar days before the date of the 2017 Annual Meeting and must contain the information required by Aetna s By-Laws. (Please see Consideration of Director Nominees-Director Qualifications on page 11 for a description of qualifications that the Board believes are required for Board nominees.)

COPY OF BY-LAW PROVISIONS: You may contact the Corporate Secretary at Aetna s headquarters, 151 Farmington Avenue, RW61, Hartford, CT 06156, for a copy of the relevant provisions of Aetna s By-Laws regarding the requirements for making shareholder proposals and nominating Director candidates. You also can visit Aetna s website at **www.aetna.com/governance** to review and download a copy of Aetna s By-Laws.

Can Shareholders Ask Questions at the Annual Meeting?

Yes. You can ask questions regarding each of the items to be voted on when those items are discussed at the Annual Meeting. Shareholders also will have an opportunity to ask questions of general interest at the end of the Annual Meeting.

Who Counts the Votes Cast at the Annual Meeting?

Votes are counted by employees of Broadridge Financial Solutions, Inc. and certified by the judge of election for the Annual Meeting who is an employee of Governance Consulting Services, LLC, an independent consultant of Broadridge Financial Solutions, Inc. The judge will determine the number of shares outstanding and the voting power of

each share, determine the shares represented at the Annual Meeting, determine the existence of a quorum, determine the validity of proxies and ballots, count all votes and determine the results of the actions taken at the Annual Meeting.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Is My Vote Confidential?

Yes. The vote of each shareholder is held in confidence from Aetna s Directors, officers and employees except (a) as necessary to meet applicable legal requirements (including stock exchange listing requirements) and to assert or defend claims for or against Aetna and/or one or more of its consolidated subsidiaries, (b) as necessary to assist in

resolving any dispute about the authenticity or accuracy of a proxy card, consent, ballot, authorization or vote, (c) if there is a contested proxy solicitation, (d) if a shareholder makes a written comment on a proxy card or other means of voting or otherwise communicates to management, or (e) as necessary to obtain a quorum.

ADDITIONAL INFORMATION

Contact Information

If you have questions or need more information about the Annual Meeting, write to:

Office of the Corporate Secretary

Aetna Inc.

151 Farmington Avenue, RW61

Hartford, CT 06156

or email us at *shareholderrelations@aetna.com*.

For information about your record holdings or Computershare Investment Plan account, call Computershare Trust Company, N.A. at 1-800-446-2617 or access your account via the Internet at **www.computershare.com/investor**. We also invite you to visit Aetna s website at **www.aetna.com**. Website addresses, hyperlinks and QR codes are included for reference only. The information contained on websites referred to and/or linked to in this Proxy Statement (other than Aetna s website to the extent specifically referred to herein as required by the SEC s rules) is not part of this proxy solicitation and is not incorporated by reference into this Proxy Statement or any other proxy materials. References to competitors and other companies throughout this Proxy Statement are for illustrative or comparison purposes only and do not indicate that these companies are Aetna s only competitors or are Aetna s closest competitors.

Financial Statements

The 2015 Aetna Annual Report, Financial Report to Shareholders (the Annual Report) includes the Report of Independent Registered Public Accounting Firm, which includes an opinion on the Company s consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the three-year period ending December 31, 2015, as well as an opinion on the effectiveness of the Company s internal control over financial reporting as of December 31, 2015. The Annual Report also contains Management s Discussion and

Analysis of Financial Condition and Results of Operations together with the Consolidated Financial Statements and related Notes as of December 31, 2015 and 2014 and for each of the three years in the three-year period ending December 31, 2015. Other information provided in the Annual Report includes Management s Report on Internal Control Over Financial Reporting, Selected Financial Data for the most recent five years, Quarterly Financial Data for 2015 and 2014 and a Corporate Performance Graph.

SEC Form 10-K

Shareholders may obtain a copy of Aetna s 2015 Annual Report on Form 10-K filed with the SEC, including the financial statements and the financial statement schedules, without charge by calling 1-800-237-4273, by visiting Aetna s website at www.aetna.com or by mailing a written request to Judith H. Jones, Aetna s Corporate Secretary, at 151 Farmington Avenue, RW61, Hartford, CT 06156.

By order of the Board of Directors,

Judith H. Jones

Vice President and Corporate Secretary

April 8, 2016

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ADMISSION AND TICKET REQUEST PROCEDURE

Admission

Admission is limited to shareholders of record at the close of business on March 18, 2016, or one individual designated as a shareholder s authorized proxy holder or one representative designated in writing to present a shareholder proposal. In each case, the individual must have an admission ticket and valid government issued photo identification (e.g., a driver s license or a passport) to be admitted to the Annual Meeting.

Ticket Request Deadline

Ticket requests must include all information specified in the applicable table below and be submitted in writing and received by Aetna on or before May 13, 2016. No requests will be processed after that date.

To Submit a Request

Submit ticket requests by mail to Office of the Corporate Secretary, 151 Farmington Avenue, RW61, Hartford, CT 06156 or by facsimile to 860-293-1361. Ticket requests will not be accepted by telephone or e-mail.

Authorized Proxy Representative

A shareholder may appoint a representative to attend the Annual Meeting and/or vote on his/her behalf. The admission ticket must be requested by the shareholder but will be issued in the name of the authorized representative. Individuals holding admission tickets that are not issued in their name will not be admitted to the Annual Meeting. The shareholder information specified below and a written proxy authorization must accompany the ticket request.

Proponent of a Shareholder Proposal

For the shareholder proposal included in this Proxy Statement, the shareholder sponsor should notify the Company in writing of the individual authorized to present the proposal on behalf of the shareholder at the Annual Meeting. One admission ticket will be issued for the designated representative if the advance registration instructions on this page and page 71 are followed. Shareholder sponsors and their designated representatives must have an admission ticket to be admitted to the Annual Meeting.

Registered Shareholders	**Beneficial Holders**	**401(k) Holders**
For ownership verification provide:	For ownership verification provide one of the following:	For ownership verification provide:
Option A		Name;

Name(s) of shareholder(s);

Address;

Phone number; and

Shareholder account number or social security number

Option B

A copy of your proxy card or notice showing shareholder name and address

Also include:

Name of authorized proxy representative, if applicable

Address to which ticket should be mailed

A copy of your March 2016 brokerage account statement showing Aetna share ownership as of the record date (3/18/16); or

A letter from your broker, bank or other nominee verifying your record date (3/18/16) ownership; or

A copy of your brokerage account voting instruction card showing shareholder name and address

Also include:

Name of authorized proxy representative, if applicable

Address to which ticket should be mailed and phone number

Address; and

Phone number

Also include:

Address to which ticket should be mailed

ANNEX A

Reconciliation of Certain Amounts to the Most Directly

Comparable GAAP Measure

Operating earnings and operating earnings per share exclude from net income attributable to Aetna reported in accordance with GAAP (as defined below) net realized capital gains and losses, amortization of other acquired intangible assets, and other items, if any, that neither relate to the ordinary course of our business nor reflect our underlying business performance. Although the excluded items may recur, management believes that excluding them from net income attributable to Aetna to arrive at operating earnings and operating earnings per share provides a more useful comparison of our underlying business performance from period to period. Net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of liabilities. Amortization of other acquired intangible assets relates to our acquisition activities, including Coventry Health Care, Inc. (Coventry), the InterGlobal Group (InterGlobal) and bswift LLC (bswift).

These transactions and amortization do not directly relate to the underwriting or servicing of products for our customers and are not directly related to the core performance of our business operations. Operating earnings is the measure reported to our Chief Executive Officer for purposes of assessing financial performance and making operating decisions, such as the allocation of resources among our business segments. Refer to the tables below for a reconciliation of operating earnings and operating earnings per share to the most directly comparable Generally Accepted Accounting Principles (GAAP) measure. Non-GAAP financial measures we disclose, such as operating earnings, operating earnings per share, operating revenue, pretax operating margin, adjusted operating earnings per share, adjusted revenue, and SG&A as a % of revenue should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP.

The following is a reconciliation of operating earnings and operating earnings per share to the most directly comparable GAAP measure for the years ended December 31, 2015 through 2011:

(Millions, except per common share data)		2015	2014	2013	2012	2011
Reconciliation to Net Income Attributable to Aetna						
Operating earnings	(A)	$ 2,717.1	$ 2,404.6	$ 2,241.1	$ 1,861.9	$ 2,044.2
Transaction, integration-related and restructuring costs, net of tax		(189.8)	(134.2)	(233.5)	(25.4)	
Litigation-related proceeds, net of tax		71.3				
Loss on early extinguishment of long-term debt, net of tax			(117.8)		(55.2)	
Pension settlement charge, net of tax			(72.5)			
Release of litigation-related reserve, net of tax			67.0			

Charge for changes in life insurance claim payment practices, net of tax				(35.7)		
Reduction of reserve for anticipated future losses on discontinued products, net of tax				55.9		
Reversal of allowance and gain on sale of reinsurance recoverable, net of tax				32.1		
Litigation-related settlement, net of tax					(78.0)	
Severance and/or facilities charge, net of tax					(24.1)	
Voluntary early retirement program, net of tax						(89.1)
Amortization of other acquired intangible assets, net of tax		(166.0)	(158.2)	(139.5)	(92.3)	(78.5)
Net realized capital (losses) gains , net of tax		(42.4)	51.9	(6.8)	71.0	109.1
Net income attributable to Aetna (GAAP measure)	(B)	$ 2,390.2	$ 2,040.8	$ 1,913.6	$ 1,657.9	$ 1,985.7
Operating Earnings Per Share						
Weighted-average common shares diluted	(C)	352.6	359.1	359.2	345.0	380.2
Operating earnings per share	(A)/(C)	$ 7.71	$ 6.70	$ 6.24	$ 5.40	$ 5.38
Net income per share attributable to Aetna (GAAP measure)	(B)/(C)	$ 6.78	$ 5.68	$ 5.33	$ 4.81	$ 5.22

In order to provide useful information regarding our profitability on a basis comparable to others in the industry, without regard to financing decisions, income taxes or amortization of other acquired intangible assets (each of

ANNEX A

which may vary for reasons not directly related to the performance of the underlying business), our pretax operating margin is based on operating earnings excluding

interest expense and income taxes. Management also uses pretax operating margin to assess our performance, including performance versus competitors.

The following is a reconciliation of Aetna s pretax operating margin to the most directly comparable GAAP measure for the year ended December 31, 2015:

(Millions)		**2015**
Reconciliation to Income Before Income Taxes		
Operating earnings before income taxes, excluding interest expense	(D)	$ 5,032.7
Interest expense		(313.5)
Transaction, integration-related and restructuring costs		(273.3)
Litigation-related proceeds		109.6
Amortization of other acquired intangible assets		(255.4)
Net realized capital losses		(64.5)
Income before income taxes (GAAP measure)		$ 4,235.6

		2015
Reconciliation of Revenue		
Operating revenue, excluding net investment income (adjusted revenue)		$ 59,375.0
Net investment income		916.4
Operating revenue (excludes net realized capital losses and other items)	(E)	60,291.4
Litigation-related proceeds		109.6
Net realized capital losses		(64.5)
Total revenue (GAAP measure)	(F)	$ 60,336.5

Operating Margin		
Pretax operating margin	(D)/(E)	8.3%
After-tax net income margin (GAAP measure)	(B)/(F)	4.0%

Under the Annual Bonus Plan (ABP), bonus pool funding is determined by the Committee on Compensation and Talent Management using non-GAAP metrics to measure actual performance. The following is a reconciliation of the actual performance metrics used in determining the bonus pool funding to the most directly comparable GAAP measure for the year ended December 31, 2015:

		2015
Operating earnings per share, excluding pension expense (adjusted operating earnings per share)		$ 7.55
Financing component of pension and other postretirement employee benefit plan expense, net of tax		.16
Operating earnings per share		7.71
Transaction, integration-related and restructuring costs, net of tax		(.54)
Litigation-related proceeds, net of tax		.20
Amortization of other acquired intangible assets, net of tax		(.47)
Net realized capital losses, net of tax		(.12)
Net income attributable to Aetna per share (GAAP measure)		$ 6.78

(Millions)		2015
Operating expenses, excluding incentive compensation expense and other items	(G)	$ 11,019.7
Incentive compensation expense		406.4
Transaction, integration-related and restructuring costs		223.2
Total operating expenses (GAAP measure)	(H)	$ 11,649.3
Adjusted operating expense ratio (SG&A as a % of Revenue)	(G)/(E)	18.3%
Total operating expense ratio (GAAP measure)	(H)/(F)	19.3%

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ANNEX B

Directions to the Avon Old Farms Hotel

Avon Old Farms Hotel is located at 279 Avon Mountain Road, Avon, CT 06001 9 miles west of Hartford (approximately 10 minutes) and 16 miles southwest of Bradley International Airport.

From Bradley International Airport: Route 20 west to Routes 10 & 202 south (Granby). Follow Routes 10 & 202 south to Route 44 east. Take Route 44 east for eight-tenths of a mile. The Avon Old Farms Hotel is on the right just past the intersection of Route 44 east and Route 10.

From Boston: Route 90 (Mass Turnpike) west to I-84 west (Sturbridge). I-84 west through Hartford to Exit 39 (Farmington). Follow Route 4 west one mile to Route 10 north. Travel north on Route 10 for five miles to Jct. Routes 10 & 44. Avon Old Farms Hotel is on the right-hand corner.

From Springfield: Route 91 south to Bradley International Airport exit 40, Route 20 west to Routes 10 & 202 south, Granby. Follow Route 10 & 202 south to Route 44 east. Take Route 44 east for eight-tenths of a mile. The Avon Old Farms Hotel is on the right just past the intersection of Route 44 east and Route 10.

From New York City/Long Island: Take Interstate 95 north to 287 west to 684 north to I-84 east. Follow I-84 to Exit 39 (Farmington). Follow Route 4 west one mile to Route 10 north. Travel north on Route 10 for five miles to Jct. Routes 10 & 44. Avon Old Farms Hotel is on the right-hand corner.

From Eastern Long Island: Take the Deegan Expressway (Route 87) north to Route 287 east to 684 north to I-84. Follow I-84 to Exit 39 (Farmington). Follow Route 4 west one mile to Route 10 north. Travel north on Route 10 for five miles to Jct. Routes 10 & 44. Avon Old Farms Hotel is on the right-hand corner.
From Western Long Island: Take the Cross Island Expressway to I-95 north, to Route 8 north to I-84 east. Follow I-84 to Exit 39 (Farmington). Follow Route 4 west one mile to Route 10 north. Travel north on Route 10 for five miles to Jct. Routes 10 & 44. Avon Old Farms Hotel is on the right-hand corner.

From Albany: New York Thruway to Mass Pike Route 90 to Route I-91 south. Follow to exit 40 (Bradley International Airport) onto Route 20 west to routes 10 & 202 south (Granby). Follow to Route 44 east. Avon Old Farms Hotel is eight-tenths of a mile on the right, just past the intersection of Routes 44 & 10.

From Bridgeport (L.I. Ferry): Follow Route 8 north from Bridgeport to I-84 east. Follow I-84 to Exit 39 (Farmington). Follow Route 4 west one mile to Route 10 north. Travel north on Route 10 for five miles to Jct. Routes 10 & 44. Avon Old Farms Hotel is on the right-hand corner.

From New Jersey: Garden State Parkway north to Route 287 east, over the Tappan Zee Bridge, exit 9A to 684 north to I-84 east to Exit 39 (Farmington). Follow Route 4 west one mile to Route 10 north. Travel north on Route 10 for five miles to Jct. Routes 10 & 44. Avon Old Farms Hotel is on the right-hand corner.

From Providence: Route 6 west to I-384 west to I-84 west to Exit 39 (Farmington). Follow Route 4 west one mile to Route 10 north. Travel north on Route 10 for five miles to Jct. Routes 10 & 44. Avon Old Farms Hotel is on the right-hand corner.

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ANNEX C

AETNA INC.

2016 EMPLOYEE STOCK PURCHASE PLAN

1. ***Purpose of the Plan.*** The purpose of the Plan is to provide employment incentive through a capital accumulation opportunity, link employee and shareholder interests, and provide an opportunity for employees of the Company and its Participating Subsidiaries to purchase Common Stock through payroll deductions.

2. ***Definitions.***

Board means the Company s Board of Directors.

Code means the Internal Revenue Code of 1986, as amended from time to time.

Change-in-Control means the happening of any of the following:

(i) When any person as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and as used in Sections 13(d) and 14(d), including a group as defined in Section 13(d) of the Exchange Act but excluding the Company and any Subsidiary thereof and any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing 20 percent or more of the combined voting power of the Company s then outstanding securities;

(ii) When, during any period of 24 consecutive months, the individuals who, at the beginning of such period, constitute the Board (the Incumbent Directors) cease for any reason other than death to constitute at least a majority thereof, provided that a Director who was not a Director at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such Director was elected by, or on the recommendation of or with the approval of, at least two-thirds of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such 24-month period) or by prior operation of this paragraph (ii); or

(iii) The occurrence of a transaction requiring shareholder approval for the acquisition of the Company by an entity other than the Company or a Subsidiary through purchase of assets, or by merger, or otherwise.

Notwithstanding the foregoing, in no event shall a Change-in-Control be deemed to have occurred (i) as a result of the formation of a Holding Company, or (ii) with respect to any Employee, if such Employee is part of a group , within the meaning of Section 13(d)(3) of the Exchange Act as in effect on the effective date, which consummates the Change-in-Control transaction. In addition, for purposes of the definition of Change-in-Control a person engaged in business as an underwriter of securities shall not be deemed to be the beneficial owner of, or to beneficially own, any securities acquired through such person s participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

Committee means the Board s Committee on Compensation and Talent Management or such other committee of the Board designated by the Board to administer the Plan.

Common Stock means the common shares, $.01 par value, of the Company.

Company means Aetna Inc., a Pennsylvania corporation.

Compensation means annual base salary during a Purchase Period and does not include any bonus, severance or overtime payment, disability payment, contributions to an employee benefit plan or other similar payment or contribution.

Continuous Status as an Employee means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of (i) sick leave, (ii) military leave, (iii) any other leave of absence approved by the Company, provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or

ANNEX C

unless provided otherwise pursuant to Company policy adopted from time to time, or (iv) transfers between locations of the Company or between the Company and its Participating Subsidiaries.

Employee means any person, including an officer, who is an employee of the Company or one of its Participating Subsidiaries for tax purposes and who is employed at least twenty-one (21) days prior to the Grant Date of an Offering (or such shorter period as the Company, in its sole discretion, may determine).

Expiration Date means the last day of an Offering as designated by the Committee, which, in any event, shall not be more than twenty-seven (27) months after the Grant Date.

Fair Market Value shall mean on any date, with respect to a share of Common Stock, the closing price of a share of Common Stock as reported by the Consolidated Tape of New York Stock Exchange Listed Shares on such date, or, if no shares were traded on such Exchange on such date, on the next date on which the Common Stock is traded.

Holding Company means an entity that becomes a holding company for the Company or its business as part of any reorganization, merger, consolidation or other transaction, provided that the outstanding shares of common stock of such entity and the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of directors is, immediately after such reorganization, merger, consolidation or other transaction, beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the outstanding shares of common stock and the combined voting power of the outstanding voting securities, respectively, of the Company immediately prior to such reorganization, merger, consolidation or other transaction in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or other transaction, of such outstanding voting stock.

Grant Date means the first business day of each Purchase Period of the Plan.

Offering means the grant of Purchase Rights under the Plan.

Participating Subsidiary means the Subsidiaries that have been designated by the Committee or the Board from time to time in its sole discretion as eligible to participate in one or more Offerings under the Plan; provided however that the Board shall only have the discretion to designate Subsidiaries if the grant of Purchase Rights to such Subsidiary

Employees pursuant to the Plan would not cause the Company to incur material adverse accounting charges.

Plan means the Aetna Inc. 2016 Employee Stock Purchase Plan, a plan intended to qualify under Section 423 of the Code, as amended from time to time.

Purchase Period means the period of an Offering beginning on the Grant Date and ending on the Expiration Date.

Purchase Rights means rights to purchase shares of Common Stock under the Plan on the terms or conditions set forth herein and as determined by the Committee as provided hereunder.

Subsidiary means any company in an unbroken chain of companies beginning with (and including) the Company in which each company other than the last company in the unbroken chain owns stock possessing 50% or more of the

total combined voting power of all classes of stock in one of the other companies in such chain.

3. ***Administration of the Plan.*** The Committee shall administer the Plan. The Committee shall have full power and authority to construe and interpret the Plan and may from time to time adopt such rules and regulations for carrying out the Plan as it may deem best. Decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, its shareholders and its employees.

The Committee may in its sole discretion determine from time to time that the Company shall grant Purchase Rights under an Offering to all of the then eligible Employees, provided, however, that it shall be under no obligation to do so.

4. ***Participation in the Plan.*** The individuals who shall be eligible to receive grants of Purchase Rights under an Offering shall be all Employees of the Company or of any Participating Subsidiary who are so employed by the Company or Participating Subsidiary on the Grant Date of such Offering; provided, however, that no individual shall be eligible to effect a purchase under an Offering if immediately thereafter and after giving effect thereto, the aggregate value or voting power of all shares of stock of the Company and any Subsidiary then owned by such individual, either directly or indirectly, within the meaning of the applicable sections of the Code and including all shares of stock with respect to which such individual holds options, would equal or exceed in the aggregate 5% of the total value or combined voting power of all classes of stock of the Company or any Subsidiary.

ANNEX C

5. ***Stock.***

(a) The stock subject to an Offering shall be authorized but unissued shares of Common Stock. Subject to adjustment in accordance with the provisions of Section 11(f) hereof, the total number of shares of Common Stock which may be the subject of Offerings under the Plan shall not exceed in the aggregate 5,000,000 shares.

(b) In the event that any shares of Common Stock, which are the subject of an Offering, are not purchased, such unpurchased shares of Common Stock may again be available for subsequent Offerings.

6. ***Number of Shares That an Employee May Purchase.***

(a) An eligible Employee may elect to purchase through payroll deductions under an Offering a number of whole shares of Common Stock determined by the Committee from time to time.

(b) The number of whole shares of Common Stock that a participating Employee may purchase on the Expiration Date shall be determined by dividing such Employee s contributions accumulated prior to such Expiration Date and retained in such Employee s account as of the Expiration Date by the applicable purchase price; provided, however, that such purchase shall be subject to the limitations set forth in this Section 6.

(c) The maximum number of shares that each eligible Employee may purchase under an Offering equals $25,000 divided by the Fair Market Value of a share of Common Stock on the first day of the Offering.

(d) Notwithstanding the foregoing provisions of the Plan, no eligible Employee may elect to purchase under Offerings in any single calendar year a number of whole shares of Common Stock which, together with all other shares in the Company and Subsidiaries which the Employee may be entitled to purchase in such year pursuant to an Offering and under any other employee stock purchase plan, as defined in Section 423 of the Code, has an aggregate Fair Market Value (measured in each case as of the Grant Date) in excess of $25,000.

7. ***Participation.***

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement and any other required documents provided by the Company and submitting them in the form and manner designated by the Company.

(b) Unless otherwise determined by the Company, payroll deductions in respect of an Offering shall commence on the first full payroll period beginning

on or after the Grant Date of such Offering and shall end on the last payroll period ending prior to the Expiration Date of such Offering, unless such deductions are sooner terminated by the participating Employee as provided in Section 10.

8. ***Method of Payment of Contributions.***

(a) A participating Employee shall elect to have payroll deductions made on each payday during the Offering in whole percentages from one percent (1%) to, and not exceeding, ten percent (10%) of such participating Employee s Compensation during the Offering. All payroll deductions made by a participating Employee shall be credited to his or her account under the Plan. A participating Employee may not make any additional payments into such account.

(b) A participating Employee may discontinue his or her participation in the Plan as provided in Section 10.

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 6 hereof, the Company may cause a participant s payroll deductions to be decreased in respect of an Offering year to zero percent (0%).

9. ***Exercise of Purchase Rights.*** Unless a participating Employee withdraws from an Offering or terminates his or her Continuous Status as an Employee as provided in Section 10 prior to the Expiration Date of an Offering, his or her right to purchase whole shares in any Offering will be exercised automatically on each Expiration Date of an Offering, and the maximum number of whole shares subject to the Purchase Right will be purchased at the applicable purchase price with the accumulated contributions in his or her account.

10. ***Voluntary Withdrawals; Termination of Employment.***

(a) A participating Employee may withdraw all but not less than all the contributions credited to his or her account under the Plan at any time prior to the Expiration Date of an Offering by notifying the Company in the form and manner designated by the Company. All of the participating Employee s contributions credited to his or her account will be paid to him or her not later than sixty (60) days after receipt of his or her notice of withdrawal and his or her Purchase Right for the then current Offering will be automatically terminated, and no further contributions by such Employee for the purchase of Common Stock will be permitted or made during such Offering.

(b) Upon termination of a participating Employee s Continuous Status as an Employee prior to the

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ANNEX C

Expiration Date of an Offering for any reason, whether voluntary or involuntary, including retirement or death, the contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the Employee s estate, and his or her Purchase Right will be automatically terminated.

(c) A participating Employee s voluntary withdrawal from an Offering will not have any effect upon his or her eligibility to participate in a succeeding Offering or in any similar plan that may hereafter be adopted by the Company.

11. ***Terms and Conditions of Offerings.***

(a) General:

The Offerings shall be in such form as the Committee shall from time to time approve, and shall contain such terms and conditions as the Committee shall prescribe not inconsistent with the Plan.

(b) Purchase Price:

The purchase price per share of shares covered by Purchase Rights will be established by the Committee for each Offering, but in no event will the purchase price per share of shares covered by Purchase Rights be less than 85% of the lower of (i) the Fair Market Value of a share of Common Stock on the Grant Date and (ii) the Fair Market Value of a share of Common Stock on the Expiration Date.

(c) Term of Offerings:

Each Offering shall commence on the Grant Date and terminate, subject to earlier termination by the Committee, on the Expiration Date.

(d) Employee s Purchase Directions:

Each Offering shall provide that the participating Employee at the conclusion of the Purchase Period may purchase all of the whole shares which are covered by Purchase Rights purchasable in such Offering with the contributions credited to such Employee s account unless such Employee shall, in the manner provided for in the Offering, notify the Company as set forth in Section 10 that the Employee does not desire to purchase any of such shares.

(e) Change-in-Control:

Upon a Change-in-Control, the Expiration Date shall be deemed to have occurred immediately prior to such Change-in-Control and, unless an Employee shall have withdrawn from the Offering

as provided in Section 10, all then outstanding Purchase Rights shall be deemed to have been exercised on such Expiration Date as provided in Section 9.

(f) Adjustments:

In the event that the Committee shall determine that any stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, offering to purchase Common Stock at a price substantially below Fair Market Value, or other similar event affects the Common Stock such that an adjustment is required in order to preserve or prevent an enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in its sole discretion, and in such manner as the Committee may deem equitable, adjust any or all of (1) the number and kind of shares which thereafter may be made the subject of Offerings under the Plan, (2) the number and kind of shares subject to outstanding Offerings and (3) the purchase price with respect to any of the foregoing and/or, if deemed appropriate, make provision for a cash payment to a person who has outstanding Purchase Rights; provided, however, that the number of shares subject to any such Purchase Rights shall always be a whole number.

(g) Assignability:

No rights hereunder shall be assignable or transferable.

(h) Employee s Agreement:

If, at the time of the purchase of shares which are covered by Purchase Rights under an Offering, in the opinion of counsel for the Company, it is necessary or desirable, in order to comply with any applicable laws or regulations relating to the sale of securities, that the Employee purchasing such shares shall agree that such Employee will purchase such shares for investment and not with any present intention to resell the same, the Employee will, upon the request of the Company, execute and deliver to the Company an agreement to such effect. The Company may also require that a legend setting forth such investment intention be stamped or otherwise written on the certificates for shares purchased pursuant to the Plan or otherwise evidenced on the records with respect to shares purchased pursuant to the Plan, including records relating to uncertificated shares.

(i) Rights as a Shareholder:

An Employee who has been granted Purchase Rights hereunder shall have no rights as a shareholder with respect to shares covered by such Purchase Rights until the date of the issuance of the shares to the Employee. No adjustment will be made for dividends or other rights for which the record date is prior to the date of such issuance. For purposes of the Plan, the Company, in lieu of the issuance of certificates, may utilize a book entry account system for recording ownership of shares of Common Stock, subject to the rules generally applicable to such system.

(j) Interest:

No interest shall accrue on payroll deductions made under or pursuant to the Plan or any Offering hereunder.

12. ***Term of Plan.*** No grant of Purchase Rights shall be made after July 1, 2021.

13. ***Amendments.*** The Plan is wholly discretionary in nature. As such, the Board may, in its sole discretion, from time to time alter, amend, suspend, or discontinue the Plan or alter or amend any and all Purchase Rights or terminate any Offering; provided, however, that no such action of the Board may, without the approval of the shareholders, make any amendment for which shareholder approval is necessary to comply with any tax or regulatory requirement

with which the Committee has determined it is necessary or advisable to have the Company comply. Subject to the limitations in this Section 13 relating to shareholder approval, the Committee may, in its sole discretion, make such amendment or modification to the Plan or any Purchase Rights granted hereunder as is necessary or desirable to comply with, or effectuate administration of, the Plan under the laws, rules or regulations of any foreign jurisdiction, the laws of which may be applicable to the Plan or participants in the Plan.

14. ***Application of Funds.*** The proceeds received by the Company from the sale of the Common Stock pursuant to an Offering will be used for general corporate purposes.

15. ***Governing Law.*** The Plan and all Offerings shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania without regard to the choice of law rules thereunder.

16. ***Additional Restrictions of Rule 16b-3.*** The terms and conditions of Purchase Rights granted hereunder to, and the purchase of shares of Common Stock by, persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3 thereunder. The Plan shall be deemed to contain, and such Purchase Rights shall contain, and the shares of Common Stock issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by such Rule 16b-3 to qualify for the maximum exemption from such Section 16 with respect to Plan transactions.

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The Aetna Way is an expression of why we exist,

what we are trying to achieve and what we believe in.

Everything we do at Aetna starts with our values a clear, strongly held set of core beliefs that reflect who we are and what you can expect from us.

151 Farmington Avenue

Hartford, Connecticut 06156

Visit our Investor Relations website

www.aetna.com/about-us/investor-information.html

Read our 2015 Corporate Social Responsibility Report

www.aetna.com/about-aetna-insurance/document-library/corporate-responsibility.pdf

Aetna Mobile Web - shows a streamlined view of Aetna.com. You can buy health insurance or access our most popular tools directly from your mobile phone s web browser.

www.aetna.com/about-aetna-insurance/sas/mobile/index.html

The Aetna Story: Healthier days for a healthier world

Founded in 1853 in Hartford, Connecticut, Aetna is one of the nation s leading diversified health care benefits companies. We help people achieve health and financial security by offering a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life and disability plans, and medical management capabilities, Medicaid health care management services, workers compensation administrative services and health information technology products and services.

We currently serve an estimated 46.5 million people with information and resources to help them make better informed decisions about their health care. Our customers include employer groups, individuals, college students,

part-time and hourly workers, health plans, health care providers, governmental units, government-sponsored plans, labor groups and expatriates.

We can and must do better as a health care system, and that s why we are committed to transforming the health care experience. We are driven to build a healthier world by helping people achieve more healthy days. Helping people on this journey regardless of their stage of life or health status, we are engaging members and enabling them to improve their health and wellness while delivering access to sustainably lower cost health care.

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AETNA INC.

151 FARMINGTON AVENUE, RW61

HARTFORD, CT 06156-3215

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on May 19, 2016. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

If you are calling from the United States or Puerto Rico, use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 19, 2016. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E07041-P73009 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

AETNA INC.

The Board of Directors recommends a vote FOR each of the nominees.

1. Election of Directors

Nominees:		For	Against	Abstain
1a.	Fernando Aguirre	¨	¨	¨
1b.	Mark T. Bertolini	¨	¨	¨
1c.	Frank M. Clark	¨	¨	¨
1d.	Betsy Z. Cohen	¨	¨	¨
1e.	Molly J. Coye, M.D.	¨	¨	¨
1f.	Roger N. Farah	¨	¨	¨
1g.	Jeffrey E. Garten	¨	¨	¨
1h.	Ellen M. Hancock	¨	¨	¨
1i.	Richard J. Harrington	¨	¨	¨
1j.	Edward J. Ludwig	¨	¨	¨
1k.	Joseph P. Newhouse	¨	¨	¨
1l.	Olympia J. Snowe	¨	¨	¨

The Board of Directors recommends a vote FOR proposals 2, 3 and 4.	For	Against	Abstain
2. Approval of the Appointment of the Independent Registered Public Accounting Firm	¨	¨	¨
3. Approval of Aetna Inc. 2016 Employee Stock Purchase Plan	¨	¨	¨
4. Approval of the Company s Executive Compensation on a Non-Binding Advisory Basis	¨	¨	¨
The Board of Directors recommends a vote AGAINST proposal 5.			
5. Shareholder Proposal to Require Certain Additional Disclosure of Political Contributions	¨	¨	¨

The proxies may vote in their discretion on any and all other matters that may properly come before the meeting or any adjournment or postponement thereof.

HOUSEHOLDING CONSENT

Please indicate if you consent to receive a single copy of future notices of shareholder meetings, proxy statements and annual reports to shareholders for your household (Please note that each registered shareholder in your household will need to consent to this option.)	¨	¨

Yes **No**

NOTE: Please sign exactly as your name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such. If a corporation or other form of entity, please sign in the full name of the entity, by a duly authorized officer. The signer hereby revokes all proxies heretofore given by the signer to vote at the 2016 Annual Meeting of Shareholders of Aetna Inc. and any adjournment or postponement thereof.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

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2016 ANNUAL MEETING OF SHAREHOLDERS

OF

AETNA INC.

FRIDAY, MAY 20, 2016, 9:30 AM EASTERN TIME

AVON OLD FARMS HOTEL

279 AVON MOUNTAIN ROAD

AVON, CT 06001

Your vote is important to us. You may vote your proxy by Internet, telephone or mail. Please vote your proxy at your earliest convenience even if you plan to attend the Annual Meeting. Voting instructions appear on the reverse side of this card. Your vote is held in confidence by the Company s outside tabulator, Broadridge Financial Solutions, Inc.

NOTE: If you plan to attend the meeting, you must follow the admission and ticket request procedure in the 2016 Proxy Statement. Aetna s Corporate Secretary must receive your written request for an admission ticket on or before May 13, 2016. You must present your admission ticket along with a **government-issued photo identification** (e.g., a driver s license or passport) in order to be admitted to the Annual Meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2016 ANNUAL MEETING: The Aetna Inc. 2016 Notice of Annual Meeting and Proxy Statement and the Aetna Inc. 2015 Annual Report, Financial Report to Shareholders are available at www.proxyvote.com.

E07042-P73009

Proxy Aetna Inc.

2016 Annual Meeting of Shareholders

THIS PROXY IS SOLICITED ON BEHALF OF AETNA S BOARD OF DIRECTORS.

The undersigned hereby appoints Ellen M. Hancock, Richard J. Harrington, and Edward J. Ludwig, and each of them, the proxies of the undersigned, with full power of substitution, to vote the shares of the undersigned at the 2016 Annual Meeting of Shareholders of Aetna Inc. to be held on May 20, 2016 and at any adjournment or postponement thereof, and directs said proxies to vote as specified herein on the items specified in this proxy, and in their discretion on any and all other matters that may properly come before the meeting or any adjournment or postponement thereof. **THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR EACH NOMINEE LISTED IN ITEM 1, FOR ITEMS 2, 3 and 4 AND AGAINST ITEM 5.**

If you vote by telephone or the Internet, please DO NOT mail back this Proxy Card.

THANK YOU FOR VOTING

(Items to be voted appear on reverse side of this Proxy Card.)

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AETNA INC.

ANNUAL MEETING

FOR SHAREHOLDERS AS OF MARCH 18, 2016

TO BE HELD ON MAY 20, 2016

Your vote is important. Thank you for voting.

Read the Proxy Statement and have the voting instruction form below in hand. Please note that the telephone and Internet voting turns off at 11:59 p.m. ET on May 19, 2016.

Vote by Internet:	www.proxyvote.com
Vote by Phone:	1-800-454-8683
Vote by Mail:	Use the envelope enclosed

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: E07049-P72650

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2016 ANNUAL MEETING. The following materials are available at www.proxyvote.com:

The Aetna Inc. 2016 Notice of Annual Meeting and Proxy Statement and Aetna Inc. 2015 Annual Report, Financial Report

to Shareholders.

The Board of Directors recommends a vote FOR each of the nominees.

PLEASE X HERE ONLY IF ¨ YOU PLAN TO ATTEND THE MEETING AND VOTE THESE SHARES IN PERSON

1. Election of Directors

Nominees:	For	Against	Abstain
1a. Fernando Aguirre	¨	¨	¨
1b. Mark T. Bertolini	¨	¨	¨
1c. Frank M. Clark	¨	¨	¨
1d. Betsy Z. Cohen	¨	¨	¨
1e. Molly J. Coye, M.D.	¨	¨	¨
1f. Roger N. Farah	¨	¨	¨
1g. Jeffrey E. Garten	¨	¨	¨
1h. Ellen M. Hancock	¨	¨	¨
1i. Richard J. Harrington	¨	¨	¨

The Board of Directors recommends a vote FOR proposals 2, 3 and 4.	For	Against	Abstain
2. Approval of the Appointment of the Independent Registered Public Accounting Firm	¨	¨	¨
3. Approval of Aetna Inc. 2016 Employee Stock Purchase Plan	¨	¨	¨
4. Approval of the Company s Executive Compensation on a Non-Binding Advisory Basis	¨	¨	¨
The Board of Directors recommends a vote AGAINST proposal 5.			
5. Shareholder Proposal to Require Certain Additional Disclosure of Political Contributions	¨	¨	¨

The signer hereby authorizes and directs the record holder of the signer s shares to authorize and direct Ellen M. Hancock, Richard J. Harrington and Edward J.

1j.	Edward J. Ludwig	¨	¨	¨	Ludwig, or any of them, to vote the signer s shares in their discretion on any and all other matters that may properly come before the meeting or any adjournment or postponement thereof.
1k.	Joseph P. Newhouse	¨	¨	¨	
1l.	Olympia J. Snowe	¨	¨	¨	

Signature [PLEASE SIGN WITHIN BOX] Date

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AETNA INC.

151 FARMINGTON AVENUE, RW61

HARTFORD, CT 06156-3215

VOTE BY INTERNET - www.proxyvote.com
Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on May 17, 2016. Have your Voting Instruction Card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS
If you would like to reduce the costs incurred by Aetna in mailing proxy materials, you can consent to receiving all future proxy statements, Voting Instruction Cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903
If you are calling from the United States or Puerto Rico, use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 17, 2016. Have your Voting Instruction Card in hand when you call and then follow the instructions.

VOTE BY MAIL
Mark, sign and date your Voting Instruction Card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E07043-Z67142 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS VOTING INSTRUCTION CARD IS VALID ONLY WHEN SIGNED AND DATED.

AETNA INC.

The Board of Directors recommends a vote FOR each of the nominees.

1. Election of Directors

Nominees:	**For**	**Against**	**Abstain**
1a. Fernando Aguirre	¨	¨	¨
1b. Mark T. Bertolini	¨	¨	¨
1c. Frank M. Clark	¨	¨	¨
1d. Betsy Z. Cohen	¨	¨	¨
1e. Molly J. Coye, M.D.	¨	¨	¨
1f. Roger N. Farah	¨	¨	¨
1g. Jeffrey E. Garten	¨	¨	¨
1h. Ellen M. Hancock	¨	¨	¨
1i. Richard J. Harrington	¨	¨	¨
1j. Edward J. Ludwig	¨	¨	¨
1k. Joseph P. Newhouse	¨	¨	¨
1l. Olympia J. Snowe	¨	¨	¨

The Board of Directors recommends a vote FOR proposals 2, 3 and 4.	**For**	**Against**	**Abstain**
2. Approval of the Appointment of the Independent Registered Public Accounting Firm	¨	¨	¨
3. Approval of Aetna Inc. 2016 Employee Stock Purchase Plan	¨	¨	¨
4. Approval of the Company s Executive Compensation on a Non-Binding Advisory Basis	¨	¨	¨
The Board of Directors recommends a vote AGAINST proposal 5.			
5. Shareholder Proposal to Require Certain Additional Disclosure of Political Contributions	¨	¨	¨

The signer hereby authorizes and directs the trustee to authorize and direct Ellen M. Hancock, Richard J. Harrington and Edward J. Ludwig, or any of them, to vote the

shares held on the signer s behalf in their discretion on any and all other matters that may properly come before the meeting or any adjournment or postponement thereof.

NOTE: Please sign exactly as your name appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such. If a corporation or other form of entity, please sign in the full name of the entity, by a duly authorized officer. The signer hereby revokes all voting instructions heretofore given by the signer with respect to the shares represented hereby to be voted at the 2016 Annual Meeting of Shareholders of Aetna Inc. and any adjournment or postponement thereof.

Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

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2016 ANNUAL MEETING OF SHAREHOLDERS

OF

AETNA INC.

FRIDAY, MAY 20, 2016, 9:30 AM EASTERN TIME

AVON OLD FARMS HOTEL

279 AVON MOUNTAIN ROAD

AVON, CT 06001

Your vote is important to us. You may provide voting instructions by Internet, telephone or mail. Please provide your voting instructions at your earliest convenience even if you plan to attend the Annual Meeting. Voting instructions appear on the reverse side of this card. Your individual voting instructions are held in confidence.

NOTE: If you plan to attend the meeting, you must follow the admission and ticket request procedure in the 2016 Proxy Statement. Aetna s Corporate Secretary must receive your written request for an admission ticket on or before May 13, 2016. You must present your admission ticket along with a **government-issued photo identification** (e.g., a driver s license or passport) in order to be admitted to the Annual Meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2016 ANNUAL MEETING: The Aetna Inc. 2016 Notice of Annual Meeting and Proxy Statement and the Aetna Inc. 2015 Annual Report, Financial Report to Shareholders and message to the 401(k) Plan Participants are available at www.proxyvote.com.

E07044-Z67142

Voting Instructions Aetna Inc.

2016 Annual Meeting of Shareholders

THIS VOTING INSTRUCTION CARD IS SOLICITED ON BEHALF OF STATE STREET BANK AND TRUST COMPANY

TO: Participants in the Aetna 401(k) Plan:

This Voting Instruction Card constitutes the confidential voting instructions of the participants in the Aetna 401(k) Plan (the Plan) who have the right to instruct the trustee under the Plan to vote the shares of common stock of Aetna Inc. held under the Plan on your behalf, in accordance with the terms of the Plan and to vote those shares in accordance with your instructions at the Annual Meeting of Shareholders of Aetna Inc. to be held on May 20, 2016, and at any adjournment or postponement thereof. State Street Bank and Trust Company is the trustee under the Plan. Please indicate by checking the appropriate box how you want these shares to be voted by the trustee and return this card to the trustee in the envelope provided. We would like to remind you that your individual voting instructions are held in the strictest confidence and will not be disclosed to Aetna. **If you fail to provide voting instructions to the trustee by 11:59 p.m. Eastern Time on May 17, 2016, by telephone, by Internet, or by completing, signing and returning this card, the trustee will vote the shares held on your behalf in the same manner and proportion as those shares for which the trustee receives proper and timely instructions.**

If you vote by telephone or the Internet, please DO NOT mail back this Voting Instruction Card.

THANK YOU FOR VOTING

(Items to be voted appear on reverse side.)