



A SUCCESSFUL TRANSFORMATION



**SUMMARY
ANNUAL REPORT
2005**

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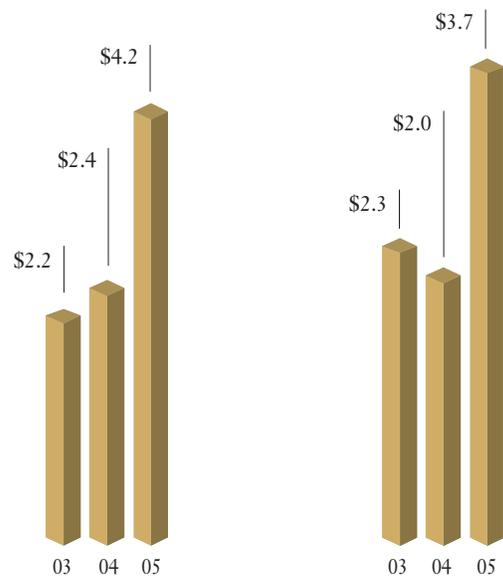
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OUR MISSION

Foster Wheeler is a global engineering and construction contractor and power equipment supplier focusing on safely delivering cost-effective, technically advanced services, facilities and equipment that meet or exceed our clients' expectations.

2005 has been an excellent year for Foster Wheeler. A company committed to excellence, we have applied creativity, discipline and a drive to succeed, and have achieved great results:

- We have transformed our capital structure, reducing debt to its lowest level in 15 years
- New orders in 2005 increased by 70 percent to \$4.2 billion, compared to 2004
- Year-end backlog increased by 80 percent to \$3.7 billion, compared to 2004



NEW ORDERS BOOKED
\$ Billions

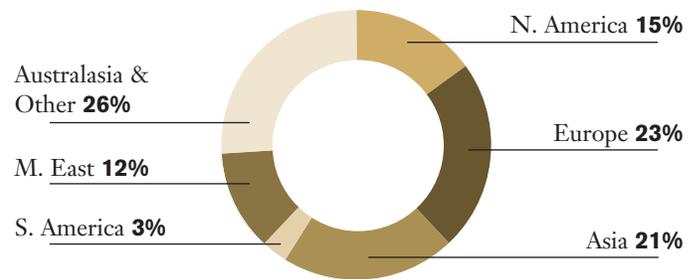
BACKLOG AT YEAR-END
\$ Billions

A PASSION FOR EXCELLENCE

- We are proud of our long track record for executing safe and successful projects
- We are proud of the commitment, expertise and experience of our teams around the world
- We are clear and determined in our focus on intelligent contracting, project execution excellence, financial discipline, world-class risk management, and meeting or exceeding our clients' expectations

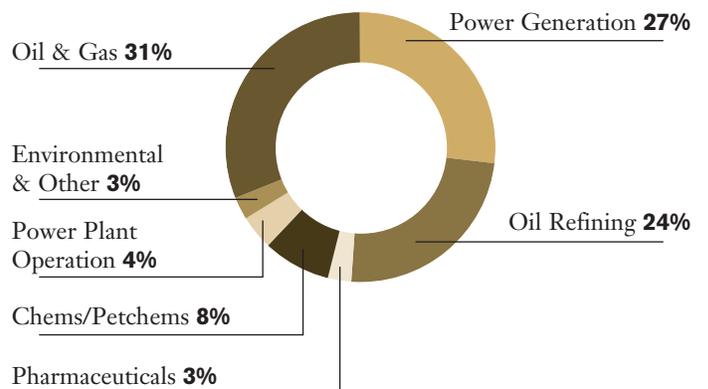
BACKLOG AT YEAR-END 2005

By Project Location



BACKLOG AT YEAR-END 2005

By Industry



FOSTER WHEELER
AT A GLANCE

A GLOBAL OPERATION DELIVERING LOCAL SOLUTIONS

We operate globally, optimizing the use of our network of engineering centers, manufacturing facilities and local partners to deliver responsive and cost-effective services to our clients.



Our two business groups deliver world-class solutions that meet or exceed our clients' expectations:

- **Our Global Engineering & Construction (E&C) Group** designs and constructs leading-edge processing facilities for the upstream oil and gas, liquefied natural gas (LNG), gas-to-liquids, refining, chemicals and petrochemicals, power, environmental, pharmaceutical, biotechnology and healthcare industries.
- **Our Global Power Group** has world-leading expertise in combustion technology, and designs, manufactures, supplies and erects steam generating and auxiliary equipment for power stations and industrial markets worldwide. The Group also provides a range of environmental products, and aftermarket parts and services.



LETTER TO OUR
SHAREHOLDERS

**2005 ...
OUR TRANSFORMATION
YIELDS RESULTS ...
AND REWARDS OUR
SHAREHOLDERS**

Raymond J. Milchovich
Chairman, President &
Chief Executive Officer

In early 2002, when we began the turnaround of Foster Wheeler, I never questioned our ability to succeed, or that we would once again become a company that could compete in our space with the best, and win.

Confidence in our company

There was one key factor underpinning my confidence and belief as we started our transformation. Over more than 120 years, our company has built its reputation on the quality of its services, products and completed facilities. As I travelled throughout the world, meeting with clients, it was clear to me that our clients still valued what we had to offer and still wanted to do business with Foster Wheeler. Indeed, many of our clients continued to award us contracts even through the most challenging periods of our transformation.

Key to this client goodwill were our many dedicated professionals located around the world, committed to delivering successful projects and meeting or exceeding our clients' expectations.

There was a lot that was good about Foster Wheeler. However, to enable us to compete "at the top" once again, we first had to make fundamental changes to parts of the company.

Delivering a performance breakthrough

Our first step was to instill world-class contracting discipline consistently throughout the company; only taking those contracts where we could provide excellence for our clients, while at the same time earning an acceptable return in line with the risk we were taking and the value we were creating.

Early in 2002, I created a new senior executive position to lead project risk management for the company. This executive reports directly to me and his charter is simple: only allow Foster Wheeler to take contracts which we can execute to our clients' and our own exacting standards, and to be the catalyst to instill contracting excellence throughout the company.



LETTER TO OUR SHAREHOLDERS

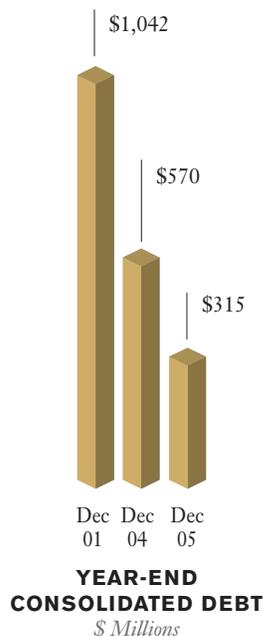
This simple action has driven a performance breakthrough for our company. During 2002, 2003, and 2004, we had to work through a number of legacy contracts that were problematic. However, since upgrading our company-wide project risk management process, every contract receiving approval has met client standards and I am very pleased with the overall profit performance of these contracts.

Reducing our cost base

But that was just the start. While ensuring that we continued to deliver quality products and services to our clients, we made significant cost reductions worldwide, reducing our breakeven so that our company could earn an acceptable return even at lower levels of revenue.

Strengthening our capital structure

Our next step was to reduce debt. Debt is an unnecessary liability in the contracting business. We began our turnaround with significant levels of debt; such high levels are unusual for successful companies in our business.



We have been focused and determined in our efforts to reduce our debt intelligently and through transactions that are accretive to our shareholders, excluding one-time accounting adjustments.

By the end of 2004, we had successfully closed our first equity-for-debt exchange – an essential enabler for us to proceed further. This was a significant milestone, reducing our debt by approximately \$437 million. Our clients' confidence that we would be around for the long term began to return, as did the confidence of the investment community.

We completed two further successful equity-for-debt exchanges in 2005, which reduced our debt by an additional \$220 million. At year-end 2005, our debt was \$315 million, its lowest level in over 15 years, and over \$700 million lower than when I joined Foster Wheeler in 2001.

But we are not stopping there. Debt reduction is an ongoing program for us.

In January 2006 we announced the completion of two successful offers relating to our existing common stock purchase warrants, which generated cash proceeds for the company of approximately \$75 million. We plan to use these proceeds in 2006 to reduce our debt even further. The anticipated debt reduction initiative will be accretive to expected 2006 diluted earnings per share, excluding one-time accounting adjustments.



LETTER TO OUR SHAREHOLDERS

An outstanding team effort

Achieving such a transformation in the company's balance sheet was a real team effort. I would like to thank and recognize not only my Foster Wheeler co-workers, but also the company's advisors, Rothschild and King & Spalding, who worked very closely with us throughout the debt reduction process. The whole team's creativity, commitment, and drive to succeed have been outstanding.

Our people have always been key to our success. This has never been more true than in 2005. Our success has been the result of a real team effort in 2005 by nearly 9,000 Foster Wheeler people worldwide. I would like to extend my thanks to all of our staff around the world for their hard work and dedication.

Taking responsibility for safety

No matter where in the world we are executing projects, the safety of our staff and our subcontractors is always a priority for us. We are very proud of our world-class safety record and very pleased that clients and government bodies also recognize this performance.

For example, we have again received the Singapore Ministry of Manpower's Occupational Safety & Health Excellence Award for our performance on projects in Singapore. We are the only international engineering and construction contractor in Singapore to have won this award – in fact, we now have six!

We have a “zero tolerance” attitude towards safety incidents and, although we are very proud of our world-class safety record, we are constantly striving to “raise the bar” and find ways to keep on improving.

Delivering as promised ...

Leaner and fitter, both operationally and financially, with our problematic legacy contracts behind us, we declared at the start of 2005 that we simply needed a very solid operating year to further prove that our turnaround had been successful and that Foster Wheeler was back on track. We knew we had to deliver on bookings, backlog and “best in class” products and services.

In 2005 we did exactly what we said we needed to do.

The excellent operational performance of our Global Engineering and Construction (E&C) operations in Continental Europe and the United Kingdom, the much-improved performance of our Global Power operations in Europe, and the solid performance of all of our other operations contributed to the significant increase in EBITDA in the Global E&C and Global Power segments.

Our 2005 results

- Bookings up by 70 percent to \$4.2 billion, compared to 2004
- Backlog at year-end up by 80 percent to \$3.7 billion, compared to 2004
- Debt reduced to its lowest level in over 15 years
- Our share price more than doubled during the year, with a \$1.5 billion increase in market capitalization, which includes an increase in shares outstanding of 16.9 million
- The net loss in 2005 includes a \$113.7 million after-tax charge relating to the revaluation of our 15-year asbestos liability and related insurance asset estimates, and a primarily non-cash after-tax accounting charge of \$59.7 million recorded in conjunction with the successful Trust Preferred Securities and Senior Notes exchanges and the common stock purchase warrant offers



LETTER TO OUR
SHAREHOLDERS

THE BEST IS YET TO COME

2005 was a very good year. The fundamentals are in place for 2006 to be an even better year.

With a much stronger capital structure, we have been increasingly able to focus on doing what we do best: safely delivering cost-effective, technically advanced equipment, facilities and services that meet or exceed our clients' expectations. We are managing the challenges of a buoyant market - intelligently adding capacity and making the best use of our global network of skilled resources.

A strong market

Additionally, the market outlook is positive, and I believe that we are very well-positioned to capitalize on all of these opportunities. Most of the markets we serve are either in, or are entering, an investment phase. Our clients' oil and gas spending continues to grow and investment in petrochemicals remains strong.

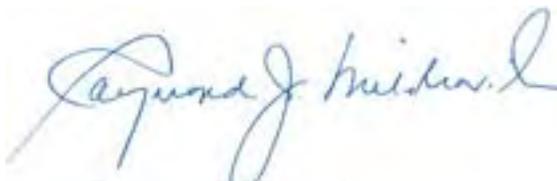
Many refiners are planning investments focused on expanding capacity, upgrading lower-value products to higher-value products, such as transportation fuels, or investing to enable their refineries to process lower-quality, cheaper crudes. Our leading delayed coking technology is ideally suited to achieving the two latter objectives.

With high oil and gas prices, the economics of solid-fuel power generation have improved significantly. We believe we have a strong competitive position in solid-fuel power generation. Our leading-edge circulating fluidized-bed combustion technology is proven at utility scale, and also offers our industrial clients the opportunity to burn cheaper opportunity fuels, such as biomass and petroleum coke, cleanly and efficiently.

A significantly stronger company

Going into 2006, we are in an even stronger position than we were a year ago, in terms of our markets, our backlog, our client base, our operations, and most importantly, the strength and motivation of our team.

I have never been more optimistic about the future of Foster Wheeler.



Raymond J. Milchovich

Chairman, President & Chief Executive Officer

“We have optimized our global resource base to be flexible and responsive to our clients”



Courtesy: ORYX GTL

GLOBAL ENGINEERING &
CONSTRUCTION GROUP

A STRONG OUTLOOK



“It’s hard to remember a time when so many of our markets were in such a strong investment phase all at the same time. Investment in upstream oil and gas, LNG and petrochemicals continues to be strong and, during 2005, refining has come ‘back into fashion’ too.

“We have had a very successful year, with very strong new order bookings, and projects safely and successfully completed. Having united all four of our engineering and construction operating units - Continental Europe, United Kingdom, Asia Pacific and North America - under one leader, we have optimized our global resource base to be flexible and responsive to our clients, most of whom operate on a worldwide scale.”

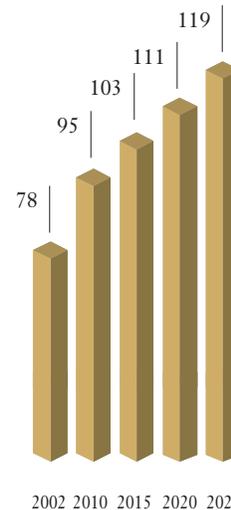
Umberto della Sala
Chief Executive Officer,
Global Engineering & Construction (E&C) Group

Positive expectations

Global economic growth drives the demand for our clients’ products, which in turn drives our clients’ investment in new or expanded production facilities.

With global economic growth expected to remain strong throughout 2006 and into 2007, the investment outlook for oil and gas, petrochemicals and refining gives us confidence that 2006 should be another good year for our Global E&C business.

We are well-placed to capitalize on these opportunities. Many of these projects will be large and technically complex, ideally suited to our skills and expertise.



WORLD OIL CONSUMPTION
Million Barrels Per Day

Source: U.S. Department of Energy,
Energy Information Administration

Building relationships

Our technical experts are working with a number of oil and gas, chemical and refining clients who are currently evaluating their investment options.

Building close working relationships with our clients at the very early stages of a project - helping them with feasibility studies, or selecting the right process configurations and technologies - positions us well for the next stages of a project's development: the front-end engineering design (FEED) and then the engineering, procurement and construction (EPC) phase.

We have been very successful in 2005 in impressing our clients at these early stages and then successfully securing the EPC phase too.

Meeting growing oil & gas demand

Increasing demand for oil and gas, declining output from existing fields and high oil and gas prices are encouraging producers to invest in new or expanded production facilities, including oil and gas processing, liquefied natural gas (LNG) and gas-to-liquids facilities.

Our in-depth technical expertise in oil and gas positions us well for the FEED phase of major developments. Securing the FEED phase then positions us for follow-on EPC work, our core business.

For example, having successfully completed the FEED for a major upgrade of ENOC Processing Company's Jebel Ali gas condensate refinery in Dubai, we have now been awarded the engineering, procurement and construction management contract.

Oil and gas projects are often large and technically complex - ideally suited to our skills and expertise. Saudi Aramco called us "the obvious choice" for the FEED for its Khurais project in Saudi Arabia, one of the world's most significant oil projects, which will increase light crude production by 1.2 million barrels per day.

Success in LNG

We are one of a small group of contractors who have designed and built facilities for liquefying natural gas.

We successfully completed the new Qalhat LNG plant in Oman in 2005, with our joint venture partners, and are leading a joint venture carrying out the engineering, procurement and construction management for the addition of a fifth LNG processing train at Woodside's Karratha complex in Australia. This will be the first onshore LNG plant to be designed and built in modular form.

Additionally we are executing the FEED and EPC phases of a debottlenecking project to increase the production capacity of PETRONAS' MLNG Dua LNG liquefaction plant in Malaysia.



Courtesy: Woodside Energy Ltd.

“Foster Wheeler was the obvious choice for this work based on its previous experience on the Haradh and Qatif projects and its ability to meet the fast-track schedule with the required quality of personnel.”

Salman Al-Aradi, Manager, Khurais Producing Facilities Projects Dept., Saudi Aramco





“We have been very pleased with the quality of the front-end design carried out by Foster Wheeler and the commitment shown by their team. We selected them for the EPC phase because of the quality of their team and their EPC and refining track record.”

Hussain Sultan, Group Chief Executive, ENOC, & Board Member, EPCL



A new dawn for refining

The global refining system is stretched: it is struggling to meet the demand for light products, such as transportation fuels, and is producing heavier products, such as fuel oil, for which demand is declining. Additionally, many refiners are planning significant expansion projects and some are even planning to build new refineries.

This supply/demand imbalance has widened price differentials between heavier, higher-sulfur crudes and lighter, sweeter crudes, and between light and heavy products.

Widening price differentials have significantly improved the economics of some refinery investments: upgrading refinery residue to higher value transportation fuels, or modifying refineries to process cheaper, heavier crudes. We believe many refiners will decide to make such investments in 2006.

The combination of our track record and very strong technology offering positions us well to capitalize on these upgrading opportunities. We offer a number of upgrading technologies, the key technology being delayed coking.

Leading upgrading technology

We have our own leading SYDECSM delayed coking process technology and have supplied this technology for more than 50 delayed coking plants in 15 countries. Together with our technical know-how and experience in designing and constructing delayed cokers, this places us in an excellent competitive position to address this market.

We are working with a number of clients on coker projects, some at a very early stage, while others have moved into the FEED or EPC phases. For example, we are working on the FEED for BP's new coker at its Castellón refinery in Spain.

In Chile, having successfully completed the feasibility study and FEED, we are now the EPC contractor for the new coker complex at state-owned oil company ENAP's Aconcagua Refinery.

Clean fuels

We continue to work with clients who are moving towards producing cleaner transportation fuels to meet increasingly stringent product quality legislation in locations including Bahrain, Greece, Italy, Lithuania, and New Zealand. Some of these clean fuels projects use our own hydrogen production technology and fired heaters designed and supplied by us too.

A key role in chemicals

We have developed a very strong position in this sector, particularly in the Middle East and Asia. We are working on a number of major investments for clients including PETRO Rabigh, a Saudi Aramco and Sumitomo joint venture, SABIC and its affiliate Eastern Petrochemicals Company (SHARQ), Sipchem, Borouge, Lucite International, Shell, ExxonMobil and The Kuwait Olefins Company.

We are also successfully converting awards for the front-end phases of projects into wins for the EPC phase. For example, following our earlier FEED win, we have now been selected as the EPC contractor for the offsites and utilities for the major expansion of SHARQ's petrochemical facility in Saudi Arabia. We prepared the FEED for the entire expansion and we are also providing overall management for the expansion program.

In Singapore, we are working on the basic engineering design for a groundbreaking new chemical plant for Lucite International, the first of a series of similar plants planned by our client. Lucite has stated that it plans to extend this phase through to the implementation phase, with our appointment as EPC contractor.

The pharma sector

In the pharmaceutical sector, client investment has focused on plant upgrading and improvement projects rather than major new production facilities. We have secured work in these areas in 2005, and there are now indications of some renewed interest in more significant plant investment in the key pharmaceutical investment hubs - Singapore, Ireland and Puerto Rico.

A powerful combination

We work together with our Global Power Group on selected power opportunities, where our specialized engineering and construction skills and our Global Power Group's leading-edge boilers deliver a winning combination.

For example, we are the EPC contractor for a major expansion at Lomellina Energia's waste-to-energy plant in Italy. The existing plant, the first installation of its kind in Europe, is an integrated facility for recyclable materials recovery and refuse-derived fuel production, composting and electricity generation.

We designed, built, started up and operate, with partners, the original plant, which has been in commercial operation since 2000. The plant includes a Foster Wheeler circulating fluidized-bed boiler, selected because of its excellent environmental performance.



“Foster Wheeler is one of the world’s biggest and most respected engineering and construction contractors. Their long experience of working in Singapore, combined with strong operations in both the UK and locally in Singapore, make them the ideal partner for Lucite International in this groundbreaking new plant we are building.”

Neil Sayers, VP for Manufacturing, Technology & SHE, Lucite International UK Limited



“We are strongly positioned to deliver state-of-the-art, cost-effective products and services that meet the needs of our customers”



GLOBAL POWER GROUP A BRIGHT FUTURE



“Interest in coal as a primary fuel choice for global power generation is increasing significantly as a result of escalating and volatile oil and gas prices, and because many countries are increasingly concerned about the security of their energy supply. Additionally, continued technological advances have improved both the efficiency and environmental performance of coal-fired power generation.

“Foster Wheeler has been at the forefront of these advances and I am optimistic about the business outlook in solid-fuel power generation. We are strongly positioned to capture these significant growth opportunities by delivering state-of-the-art and cost-effective products and services to meet the new power generation, repowering and service needs of our industrial and utility customers.”

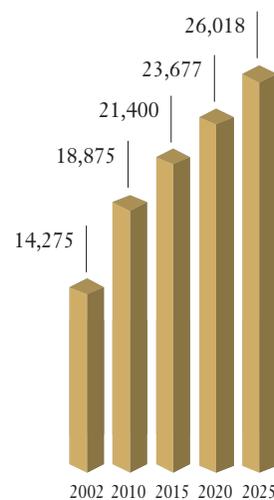
Bernard H. Cherry
Chief Executive Officer, Global Power Group

A positive outlook

The demand for power can be directly linked to a region’s economic prosperity and world net electricity consumption is expected to nearly double over the next two decades.

Most industrialized countries have coal reserves and, worldwide, the price of coal has remained relatively stable over the past two years, at a time when oil and gas prices have risen sharply.

Today, coal is the leading source for producing the world’s electricity, accounting for over 40 percent of the power generated in 2003. In fact, in major target markets such as the United States and Europe, coal accounts for more than half of the electricity generated. In the long term, coal is expected to maintain this dominant and important role.



WORLD NET ELECTRICITY CONSUMPTION

Billion Kilowatt Hours

Source: U.S. Department of Energy, Energy Information Administration

GLOBAL POWER GROUP

Optimizing our business

During 2004, we consolidated our power businesses into one Global Power Group in order to realize the full potential of our talented power teams and manufacturing facilities in the U.S., Europe, and Asia. In 2005, we have seen promising results from this reorganization, with projects completed which meet or exceed our clients' expectations, key strategic wins and a high level of repeat business.

To support our growing business, we are almost doubling production capacity at our highly successful boiler pressure parts manufacturing facility at Xinhui, China, a Foster Wheeler majority-owned joint venture. This state-of-the-art facility has been producing boiler pressure parts since it was completed in 1997 and has earned a reputation for achieving world-class quality and on-time delivery. This expansion further enhances our ability to offer highly competitive value-added solutions to our clients worldwide.

Clean and efficient power

In leading industrialized countries, high oil and gas prices and growing electricity demand are stimulating market growth for large coal-fired power plants. Increasingly stringent plant emission legislation, together with an added focus on the reduction of greenhouse gases, has resulted in a market preference for supercritical utility boilers.

Supercritical boilers operate at higher pressures than conventional boilers, offering higher efficiencies and, therefore, reduced greenhouse gas and other emissions. We are actively marketing our supercritical technology for new-build power plants and for repowering of existing facilities.

A double world-first in Poland

We are a market leader in CFB technology, having sold more than 250 CFB boilers worldwide.

We have received full notice to proceed from Poludniowy Koncern Energetyczny (PKE), one of Poland's largest electricity utilities, for the design, supply and erection of the circulating fluidized-bed (CFB) boiler island for a new 460 megawatt (MW) power plant at Lagisza in southern Poland.

This represents a double world-first: the world's largest CFB boiler and the world's first supercritical CFB unit. This marks a further advance in the application of our CFB boiler technology to utility-scale power generation. By integrating our proven clean combustion CFB technology with once-through supercritical steam technology, we will be providing our client with a cutting-edge engineering solution for the clean and efficient combustion of solid fuel.



“As one of the largest utilities in North America, AEP’s continued confidence in Foster Wheeler products and services confirms our reputation as a superior supplier to the global power industry.”

Bernard H. Cherry, Chief Executive Officer, Global Power Group





“The diversity of fuels used in electricity generation is of national importance, particularly with oil and gas prices reaching record levels. Like its sister plant at Lough Ree, the new West Offaly plant uses the very latest technology, which is delivering major improvements in efficiency and is more environmentally friendly.”

Tadhg O’Donoghue, Chairman, ESB



One of the world's cleanest power plants

Tests at JEA's Northside Generating Station in Jacksonville, Florida, U.S., have further confirmed that the facility, which started up in 2001, is one of the world's cleanest coal-based power plants.

As part of the U.S. DOE's Clean Coal Technology Demonstration Program, two old, inefficient units fueled by oil or gas, were retired and replaced by two new, state-of-the-art 300 MW Foster Wheeler CFB boilers. These are among the largest operating CFB boilers in the world. This project, winner of *Power* magazine's Powerplant of the Year Award in 2002, has demonstrated the excellent environmental performance of our utility-scale CFB technology on a range of high-sulfur coals, and blends of coal and high-sulfur petroleum coke.

These results clearly demonstrate that our CFB technology can be used at utility scale to offer electricity producers the flexibility to use a variety of abundant and lower-cost solid fuels, while cutting emissions to a fraction of federal limits.

Conventional coal-fired boilers require expensive add-ons to clean pollutants from flue gases after combustion, but CFBs capture most pollutants inside the boiler during combustion.

Delivering fuel flexibility

We are also seeing growth in the solid-fuel boiler market in the industrial sector, again driven by high and volatile oil and gas prices. Industrial CFB boilers allow industrial clients to utilize coal and other lower-cost, difficult-to-burn solid fuels, such as demolition wood, agricultural by-products, and waste derived from refuse.

2005 saw the completion in Ireland of Lough Ree and West Offaly, two state-of-the-art peat-burning CFB power plants for the Irish state-owned Electricity Supply Board (ESB). We were the engineering, procurement and construction contractor and CFB boiler supplier for both units. The new 150 MWe West Offaly power station is the largest peat-fired power station in the world.

A growing service business

In the U.S. and Europe, power plant owners are running their ageing solid-fuel-fired generation fleet harder because these plants currently have lower generating costs than oil- or gas-fired plants.

Consequently, owners are now more willing to invest to keep their older solid-fuel-fired plants running reliably and in compliance with new and more stringent plant emissions standards.

GLOBAL POWER GROUP

This trend is delivering further opportunities for our growing boiler parts and service business, where we have focused strongly on providing flexible, responsive and cost-effective services from our regional service centers. This regional service center model has been very successful for us in the U.S. and we are now starting to replicate this service model successfully in Europe.

Leading environmental solutions

Our environmental products and related construction services business is also benefiting from increasingly stringent plant emission legislation, which is driving investment in add-on pollution control systems, such as low-NOx combustion systems, selective catalytic reduction (SCR) systems, and flue gas desulfurization (FGD) systems.

Our proven combustion and SCR technologies have been extremely effective in reducing nitrogen oxides (NOx) emissions from fossil-fuel-fired plants. With more than one hundred installations, we continue to be a leading supplier of environmental solutions.

We secured strategically important repeat business in 2005 with American Electric Power Company, Inc., (AEP), including construction of a FGD system at AEP's Mountaineer Plant in West Virginia, and outage construction services at its Tanners Creek Plant in Indiana.

AES Deepwater, Inc. recently awarded us an EPC contract to supply and install state-of-the-art combustion and SCR systems at its petroleum-coke-fired power station in Pasadena, Texas. We designed and supplied the original pulverized-coke boiler for the Deepwater plant, which started commercial operation in 1986.

This will be the first SCR installation in the U.S. on a boiler firing 100 percent petroleum coke. These combustion and SCR systems will improve air quality, reducing smokestack emissions of smog-producing NOx by nearly 90 percent. This award builds upon our substantial experience in providing SCR retrofits.

The opportunities ahead

The market outlook for solid-fuel-fired power generation is strong. The challenging work of the past three years by our dedicated team of professionals has positioned our Global Power Group to capitalize on these opportunities and to meet or exceed the expectations of our industrial and utility clients for new-builds, repowering, environmental compliance solutions, and services.



“We are pleased with our choice of Foster Wheeler. We have selected Foster Wheeler as the most qualified company for this exciting project. We require an EPC contractor with a proven track record and the ability to integrate well with our team. Foster Wheeler meets these requirements.”

Jennifer Didlo, President, AES Deepwater



OUR SENIOR LEADERSHIP TEAM



**FOSTER WHEELER LTD.
BOARD OF DIRECTORS**

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Chief Executive Officer, Global Power Group

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Vice President, Project Risk Management Group



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President, Corporate Strategies International, Inc.
Senior Consultant, The Scowcroft Group

James D. Woods

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Baker Hughes Incorporated

FINANCIAL SUMMARY

Foster Wheeler Ltd. and Subsidiaries

Condensed Consolidated Balance Sheet (In thousands of dollars)

	As of	
	Dec 30, 2005	Dec 31, 2004
Assets		
Current assets	851,523	1,039,458
Long-term assets	1,043,183	1,138,241
Total assets	1,894,706	2,177,699
Liabilities and Shareholders' Deficit		
Current liabilities	997,564	1,251,581
Long-term debt	293,953	534,859
Other long-term liabilities	944,347	916,824
Shareholders' deficit	(341,158)	(525,565)
Total liabilities and shareholders' deficit	1,894,706	2,177,699

Condensed Consolidated Statement of Operations and Comprehensive Loss

(In thousands of dollars, except per share amounts)

	For the Year Ended		
	2005	2004	2003
Operating revenues	2,199,955	2,661,324	3,723,815
Cost of operating revenues	(1,837,927)	(2,385,619)	(3,439,401)
Contract profit	362,028	275,705	284,414
Selling, general and administrative expenses	(232,377)	(228,962)	(205,565)
Interest expense	(50,618)	(94,622)	(95,484)
Other income, other deductions and minority interest expense	22,812	51,387	(24,921)
Asbestos provision	(113,680)	(60,626)	(68,081)
Loss on equity-for-debt exchanges	(58,346)	(175,054)	-
Loss before income taxes	(70,181)	(232,172)	(109,637)
Provision for income taxes	(39,568)	(53,122)	(47,426)
Net loss	(109,749)	(285,294)	(157,063)
Other comprehensive (loss)/income items	(18,053)	7,256	65,439
Net comprehensive loss	(127,802)	(278,038)	(91,624)
Loss per common share:			
Basic and diluted	(2.36)	(57.84)	(76.53)

Condensed Consolidated Statement of Cash Flows (In thousands of dollars)

	For the Year Ended		
	2005	2004	2003
Net cash provided by/(used in) operating activities	50,813	(30,863)	(62,098)
Net cash provided by/(used in) investing activities	63,587	(19,499)	105,895
Net cash used in financing activities	(41,451)	(30,506)	(51,805)
Effect of exchange rate changes on cash and equivalents	(13,847)	8,340	27,798
Increase/(decrease) in cash and cash equivalents	59,102	(72,528)	19,790
Beginning cash and cash equivalents	291,567	364,095	344,305
Ending cash and cash equivalents	350,669	291,567	364,095

Condensed Notes to the Condensed Consolidated Financial Statements

The Condensed Consolidated Financial Statements provide an overview of the consolidated financial position, results of operations, and cash flows of Foster Wheeler Ltd. and subsidiaries. This information has been derived from, and should be read in conjunction with, the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 30, 2005, as filed with the Securities and Exchange Commission on March 3, 2006 ("Form 10-K").

1. The condensed consolidated financial statements include the accounts of Foster Wheeler Ltd. and all significant domestic and foreign subsidiary companies.
2. The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.
3. Our revenues relate principally to long-term contracts. Revenues and profits on long-term fixed price contracts are recorded under the percentage of completion method. Revenues and profits on cost-reimbursable contracts are recognized as costs are incurred.
4. During 2005, we continued quarterly monitoring of our actual experience regarding our domestic asbestos liability and compared it with our 15-year forecast made at year-end 2004. At year-end 2005, we determined, together with our consultants, that it was appropriate to revise our 15-year estimate of domestic asbestos indemnity and defense costs as well as our estimate of related insurance assets. We subsequently increased our 15-year estimate of domestic asbestos indemnity and defense costs to \$516 million and revised our estimate of related insurance assets to \$320 million, of which \$115 million is contested in ongoing coverage litigation. As a result of the revision of our estimates, we recorded an after-tax charge to earnings of \$113.7 million in the fourth quarter of 2005. While the asbestos insurance coverage litigation has been ongoing, we have entered into a number of settlement agreements with various insurers. We have engaged in settlement discussions with various remaining unsettled insurers in 2005 and intend to continue to negotiate additional settlements where achievable on a reasonable basis while the litigation proceeds. An adverse outcome in the insurance litigation could significantly limit our insurance assets. However, a favorable outcome in all or part of the litigation could significantly increase available insurance assets above our current estimate.

We have included in our cash-flow and liquidity forecasts the potential funding from our own cash of a portion of our asbestos liabilities in 2006. These forecasts also assume no additional settlements with insurance companies in 2006.

5. In the ordinary course of business, we are involved in various litigation and claims. For further information on litigation and uncertainties, including a discussion of asbestos claims and environmental matters, see Note 20 of our consolidated financial statements included in our Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Foster Wheeler Ltd.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Foster Wheeler Ltd. ("the company") as of December 30, 2005, and December 31, 2004, and for each of the three years in the period ended December 30, 2005, management's assessment of the effectiveness of the company's internal control over financial reporting as of December 30, 2005, and the effectiveness of the company's internal control over financial reporting as of December 30, 2005; and in our report dated March 3, 2006, we expressed unqualified opinions thereon. The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting referred to above (not presented herein) appear in Items 8 and 9A, respectively of Foster Wheeler Ltd.'s annual report on Form 10-K for the year ended December 30, 2005.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP
Florham Park, New Jersey
March 3, 2006

SHAREHOLDER INFORMATION

Safe Harbor Statement

This Summary Annual Report contains forward-looking statements that are based on management's assumptions, expectations and projections about the company and the various industries within which the company operates. These include statements regarding the company's expectations regarding revenues (including as expressed by its backlog), liquidity, the outcome of litigation and legal proceedings and recoveries from customers for claims and the costs of current and future asbestos claims and the amount and timing of related insurance recoveries. Such forward-looking statements by their nature involve a degree of risk and uncertainty. The company cautions that a variety of factors, including but not limited to the factors described under the heading "Item 1A. Risk Factors" in the company's most recent annual report on Form 10-K and the following, could cause the company's business conditions and results to differ materially from what is contained in forward-looking statements: changes in the rate of economic growth in the U.S. and other major international economies, changes in investment by the power, oil and gas, pharmaceutical, chemical, petrochemical and environmental industries, changes in the financial condition of customers, changes in regulatory environment, changes in project design or schedules, contract cancellations, changes in estimates made by the company of costs to complete projects, changes in trade, monetary and fiscal policies worldwide, currency fluctuations, war and/or terrorist attacks on facilities either owned or where equipment or services are or may be provided, outcomes of pending and future litigation, including litigation regarding our liability for damages and insurance coverage for asbestos exposure, protection and validity of patents and other intellectual property rights, increasing competition by foreign and domestic companies, compliance with debt covenants, recoverability of claims against customers and others, and changes in estimates used in critical accounting policies. Other factors and assumptions not identified above were also involved in the formation of these forward-looking statements and the failure of such other assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described above in connection with any forward-looking statements that may be made by the company. The company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any additional disclosures the company makes in proxy statements, quarterly reports on Form 10-Q, annual reports on Form 10-K and current reports on Form 8-K filed with the Securities and Exchange Commission.

Registered Office

Foster Wheeler Ltd.
2 Church Street
Hamilton HM 11, Bermuda

Worldwide Operational Headquarters

Foster Wheeler Ltd.
Perryville Corporate Park
Clinton, NJ 08809-4000
908-730-4000

Common Share Listing

The Nasdaq Stock Market, Inc.
Ticker Symbol: FWLT

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
400 Campus Drive
Florham Park, NJ 07932

Transfer Agent, Registrar and Warrant Agent

Mellon Investor Services, LLC

General inquiries about share ownership, transfer instructions, change of address and account status:

Foster Wheeler Ltd.
c/o Mellon Investor Services, LLC
P.O. Box 3315
South Hackensack, NJ 07606

Requests for transactions involving share certificates:

Foster Wheeler Ltd.
c/o Mellon Investor Services, LLC
P.O. Box 3312
South Hackensack, NJ 07606

Telephone inquiries:

800-358-2314 (for account inquiries and requests for assistance, including share transfers)
201-680-6578 (for foreign shareholders)
201-680-6610 (for hearing and speech impaired)

Shareholder services on the Internet:

You can view shareholder information and perform certain transactions at:
www.melloninvestor.com/isd

Shareholder Services/Investor Relations

John A. Doyle, Jr.
Assistant Secretary
908-730-4270
email: john_doyle@fwc.com

Request for Financial Information

Foster Wheeler Ltd.'s annual and quarterly reports and other financial documents are available on our website at www.fwc.com

To request paper copies of documents filed with the U.S. Securities and Exchange Commission, including the company's annual report on Form 10-K, please write to:

Office of the Secretary
Foster Wheeler Ltd.
Perryville Corporate Park
Clinton, NJ 08809-4000
908-730-4000

Assistant Secretary
Foster Wheeler Ltd.
2 Church Street
Hamilton HM 11, Bermuda

Shareholders

Number of shareholders of record as of December 30, 2005: 6,029

Annual General Meeting of Shareholders

May 9, 2006 – 9.00 a.m.
Foster Wheeler Ltd.
Perryville Corporate Park
Clinton, NJ 08809-4000

GLOSSARY

Aromatics – One of the three principal groups or series of hydrocarbon compounds that occurs naturally in crude oil. Commercial petroleum aromatics are benzene, toluene, and xylene.

Bottom-of-the-Barrel (Residual) Fuel – Heavy residual fuel oil, often high in sulfur and metals, that remains after the lighter portion has been distilled off.

Catalytic Cracking – The fluidized catalytic cracking process of breaking up heavier hydrocarbon molecules into lighter hydrocarbon fractions (see Cracking below).

Circulating Fluidized-Bed (CFB) Boilers – Used with a variety of fuels, particularly successful at burning those of poor quality. When the flow of air reaches a certain velocity, it causes the solid particles to lift (or fluidize) and combustion occurs in this fluidized zone.

Cogeneration – The use of a single plant to simultaneously produce power and heat or steam from a single energy source.

Coke (petroleum) – Also known as petcoke, is a high carbon content solid residue from an oil refinery process, which can be used as a boiler fuel to produce steam and electric power. Often has a higher heat content than coal.

Coking – Processes for thermally converting and upgrading heavy residual oil into lighter, higher-value products. A by-product of this process is petroleum coke.

Combined Cycle – An electric power generating technology which combines the power production of a gas turbine and of a steam turbine. The steam turbine is fed by steam produced by recovering the gas turbine exhaust gas heat in a heat recovery steam generator.

Condensate – A natural gas liquid that precipitates from, or is stripped out of, natural gas. It is a by-product of natural gas production.

Cracking – The production of lighter oils by breaking down heavy oil molecules. This process increases the yield of light distillates (gasoline and diesel) from crude oil.

Deasphalting – Process of removing asphaltic materials from reduced crude using liquid solvents (propane, butane, pentane) to extract non-asphaltic compounds.

Delayed Coking – A semi-batch coking process that raises the temperature of the heavy oil residue to nearly 1000° F. The residue resides in the drum for a specific cycle time, usually 12 to 24 hours. During this time, the heavier material cracks into lighter components and petroleum coke. Depending on coke quality, the coke can be used either as a fuel or in other applications such as the manufacturing of steel or aluminum.

Downstream – The refining or processing of crude oil into finished fuel products.

EBITDA – EBITDA is a supplemental, non-generally accepted accounting principal financial measure. EBITDA is defined as earnings or loss before taxes, interest expense, depreciation and amortization.

Feedstock – Material fed into a processing unit.

Flue Gas Desulfurization – Process used to remove sulfur oxides from the combustion gases of a boiler plant or fluid catalytic cracking unit before discharge to the atmosphere. Also referred to as scrubbing.

Gasification – A process that converts any carbon-containing material into a synthesis gas, often called syngas, composed primarily of carbon monoxide, hydrogen and carbon dioxide. Syngas can be used as a fuel to generate electricity by gas turbine or used as a basic chemical building block for a large number of uses in the petrochemical and refining industries.

Hydrocracking – This exposes heavy fuel oil to hydrogen at high pressure and temperature in the presence of a catalyst to reduce sulfur and produce lighter oils by cracking the heavy oil molecules. Predominant process for producing diesel from heavier feedstocks.

Independent Power Producer – A producer of electricity that is not regulated as a utility by a state or federal authority.

Integrated Gasification Combined Cycle (IGCC) – A process configuration integrating gasification (see above), syngas treatment and washing section and finally a gas turbine combined cycle to produce electric power with minimum environmental impact.

Liquefied Natural Gas (LNG) – Natural gas (primarily methane) that has been liquefied by reducing its temperature to - 260° F at atmospheric pressure.

Low-NOx Burners – Coal or oil burners designed to minimize the formation of nitrogen oxides, also known as NOx, during the combustion of fuel in boilers.

Lump-Sum Turnkey Project – Fixed price project for which all components are within a single supplier's responsibility.

Pulverized Fuel (PF) Boilers – Usually in the higher capacity range (over 200 megawatts), fuelled by pulverized solid coal or petroleum coke. Traditionally, customers are utilities.

Scrubbing – Purification of a gas by washing it with a liquid in a tower.

Selective Catalytic Reduction (SCR) – A control system consisting of catalyst material and an ammonia injection system that reduces NOx pollution into more basic non-polluting elements (water and nitrogen). These NOx compounds are by-products of the combustion process found in boiler and gas turbine flue gas.

Steam Methane Reforming – A heater that converts methane into hydrogen by the use of steam.

Supercritical Boilers – Operate at pressures beyond the supercritical point for steam, allowing the steam to convert directly from a liquid to a vapor without needing a steam separation device such as a boiler drum. This increases the steam's ability to absorb more heat from the fuel resulting in a more efficient power plant, reducing fuel consumption as well as emissions such as carbon dioxide.

Upstream – The exploration, production, and transportation of oil and gas.

Visbreaking – Heating of heavy oil residue to a high temperature to crack some of it to lighter components to reduce the viscosity of the stream.

Waste-to-Energy (WTE) – A technology to produce electric power and heat by burning waste materials in a suitable boiler. These materials can include municipal solid waste, or its fractions, refuse-derived fuel, etc.

Waste Heat Recovery – A process to recover heat from fluid, which otherwise would be lost to the atmosphere.



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www.fwc.com