



FOSTER WHEELER AG 2011 ANNUAL REPORT

FOSTER WHEELER AG >> Foster Wheeler AG is a global engineering and construction company and power equipment supplier delivering technically advanced, reliable facilities and equipment. The company employs approximately 12,000 talented professionals in more than 25 countries with specialized expertise dedicated to serving our clients through one of its two primary business groups.

We differentiate ourselves with a world-class level of job-site safety, technical expertise, proven ability to execute world-scale projects and strong multi-decade client relationships.

OUR CORE VALUES ARE:

- **Integrity:** we will behave ethically, safely, honestly and lawfully.
- **Accountability:** we will work to clear and mutually accepted responsibilities, engage in hands-on management and decision-making, and accept appropriate rewards and consequences.
- **High Performance:** we will consistently meet or exceed expectations and focus on continuous improvement.
- **Valuing People:** we will treat individuals with respect and dignity – and we will communicate with clarity and honesty. We will also provide opportunities for employees to reach their full potential.
- **Teamwork:** we will work collaboratively toward common goals.

The company is based in Zug, Switzerland, and its operational headquarters office is in Geneva, Switzerland. For more information about Foster Wheeler, please visit our web site at www.fwc.com.

GLOBAL ENGINEERING AND CONSTRUCTION GROUP >> THE COMPANY'S GLOBAL ENGINEERING AND CONSTRUCTION GROUP DESIGNS AND CONSTRUCTS LEADING-EDGE PROCESSING FACILITIES FOR THE UPSTREAM OIL AND GAS, LNG AND GAS-TO-LIQUIDS, REFINING, CHEMICALS AND PETROCHEMICALS, POWER, MINING AND METALS, ENVIRONMENTAL, PHARMACEUTICAL, BIOTECHNOLOGY AND HEALTHCARE INDUSTRIES.

GLOBAL POWER GROUP >> THE COMPANY'S GLOBAL POWER GROUP IS A WORLD LEADER IN COMBUSTION AND STEAM GENERATION TECHNOLOGY THAT DESIGNS, MANUFACTURES AND ERECTS STEAM GENERATING AND AUXILIARY EQUIPMENT FOR POWER STATIONS AND INDUSTRIAL FACILITIES AND PROVIDES A WIDE RANGE OF AFTERMARKET SERVICES.

WE DIFFERENTIATE OURSELVES WITH A WORLD-CLASS LEVEL OF JOB-SITE SAFETY, TECHNICAL EXPERTISE, PROVEN ABILITY TO EXECUTE WORLD-SCALE PROJECTS AND STRONG MULTI-DECADE CLIENT RELATIONSHIPS.



SUMMARY FINANCIAL TABLE

<i>In thousands of dollars, except earnings per share*</i>	2009	2010	2011
Operating revenues in scope	\$ 2,915,120	\$ 2,396,605	\$ 2,623,168
Adjusted net income	376,521	220,817	172,284
Adjusted diluted earnings per share	2.96	1.74	1.43
Consolidated scope backlog	2,068,600	2,643,200	2,562,300
Global Engineering and Construction Group EBITDA	421,186	296,240	210,541
Global Power Group EBITDA	194,027	163,825	184,467

* See appendices for a description of adjustments, definition of EBITDA and scope backlog, and reconciliation to operating revenues, diluted earnings per share and net income attributable to Foster Wheeler AG.

TO OUR SHAREHOLDERS:

FOR FOSTER WHEELER, 2011 WAS A YEAR OF CHALLENGE, CHANGE AND CONTINUITY. THE COMPANY SUCCESSFULLY COMPLETED A CEO TRANSITION WHILE MAINTAINING A CORE GROUP OF EXPERIENCED AND TALENTED EXECUTIVES, RESPONDED TO TOUGH MARKET CONDITIONS WITH A DISCIPLINED COMMERCIAL APPROACH AND EXCELLENCE IN CONTRACT EXECUTION, AND INVESTED \$409 MILLION TO REPURCHASE A PORTION OF OUR OUTSTANDING REGISTERED SHARES.

THE RESULT WAS NET INCOME OF \$162.4 MILLION, OR \$1.35 PER FULLY DILUTED SHARE. THAT'S DOWN FROM THE COMPANY'S 2010 NET INCOME DUE LARGELY TO A DECLINE IN THE EBITDA GENERATED BY OUR GLOBAL ENGINEERING AND CONSTRUCTION GROUP. >>



// LEADERSHIP TRANSITION //

I am pleased to tell you that when I joined Foster Wheeler as Chief Executive Officer on October 1 of 2011, I found a vibrant global organization, rich in history, tradition and engineering excellence. Further, I found a company with enormous potential to do more....and to be more. That's my goal: to ensure that the company reaches its full potential. Therefore, we plan to build a high-performing organization focused on winning business and executing projects. Many near-term actions are already being implemented. As an example, we are investing in our global sales and marketing capability to ensure we win our share of the markets we serve.

// MARKET VIEW //

Although the competitive dynamics and resulting financial performance for our two business groups were somewhat different during 2011, we did see a common thread in the markets we serve. In a continuation of what occurred in 2009 and 2010, global economic uncertainty, plus excess capacity in our served markets, combined to create an environment characterized by pricing pressure; the deferral, down-sizing or cancellation of certain key prospective projects; and, in some cases, client concerns about the financing of projects.

Nonetheless, as of late 2011/early 2012 in our Global Engineering and Construction Group, we saw a substantial increase in prospects within our served markets as compared to a year ago. The regions that provide the most attractive opportunities are South America, Asia and the Middle East.

In our Global Power Group, as of late 2011/early 2012, we saw signs of recovery in demand in parts of Asia, where we have a very successful track record, and in the Middle East, where we expect to expand our presence. We also continue to benefit from our widely recognized position as a global leader in the design and supply of circulating fluidized-bed (CFB) steam generators.

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// OPERATING AND COMMERCIAL HIGHLIGHTS //

Even with the challenging market conditions of 2011, both of our business groups continued to perform well and make progress on a number of fronts. The highlights for each group are listed below.

- Our Global Engineering and Construction (E&C) Group:
 - » Won major awards for the safety performance of its operating units in the United Kingdom and Singapore.
 - » Won a major contract for the engineering, procurement and construction management (EPCm) of a propylene oxide (PO) unit at Jubail Industrial City in the Eastern Province of the Kingdom of Saudi Arabia, where a world-scale, fully integrated chemicals complex, one of the largest of its kind in the world, is being developed by Aramco Overseas Company B.V. (Saudi Aramco) and Dow Europe Holding B.V. (Dow).
 - » Continued to enjoy success in the important South American market, where we were active in winning new awards in Argentina, Chile, Ecuador, Mexico and Venezuela – in addition to our continued presence on major projects in Brazil and Colombia.
 - » Signed a Memorandum of Understanding to cooperate to form a jointly-owned company with The State Oil Company of Azerbaijan Republic (SOCAR) in the Republic of Azerbaijan. The new jointly-owned company will focus on providing process engineering, procurement, construction supervision and project management services associated with the development of a major investment planned by SOCAR in the country.

- Our Global Power Group (GPG):
 - » Reported strong financial results for 2011 as compared to 2010, with increases of 45% in scope revenue, 13% in EBITDA, 16% in scope backlog and 5% in scope new orders.

“ Foster Wheeler is a company that’s well positioned for long-term success as we leverage our core strengths across a growth agenda focused on key end markets and geographies. ”

- » Booked its largest-ever order for CFB technology – specifically, four units of 550 megawatts each for a state-of-the-art utility project in South Korea. When delivered, these units collectively will be the largest supercritical CFB steam-generating facility in the world.
- » Maintained its position as the market-leading provider of CFB technology with a series of strategic contract awards – especially in Asia, where we won the contract in Korea mentioned above, as well as significant contracts in India, China, Vietnam and elsewhere in Korea.
- » Completed the acquisition of Graf-Wulff GmbH, a company that designs, manufactures and installs circulating dry ash flue gas scrubbers for boilers and steam generators in the power and industrial sectors. The acquisition establishes immediate and significant market presence for GPG in scrubbers, fabric filters and related equipment for both new and existing utility power plants and industrial steam plants.

// CORPORATE //

As demonstrated by our actions in 2011, we believe that a share repurchase program is an efficient and effective way to return excess capital to shareholders. As of early 2012, our board of directors had approved an increase in the buyback authorization that raised the availability under our program to \$500 million. At the same time, we believe that investing in our business is also a top priority, and we will continue to balance our capital allocation process to reflect this view.

The composition of our board of directors continued to evolve over the course of 2011, with three departures and five additions. Long-tenured directors Gene Atkinson, Ray Milchovich and Jim Woods retired in 2011. On behalf of the full board and the management team, I thank them for their service to the company. Elected to

the board in 2011 were Umberto della Sala, John Malcolm, Roberto Quarta, Henri Philippe Reichstul, and I. In addition, Steve Demetriou, who has been a member of the board since 2008, was elected as non-executive chairman. The new members have given a pronounced international perspective to the board, as befits a global company like Foster Wheeler.

// LOOKING AHEAD //

The markets are always difficult to predict; nevertheless, we expect to see a material increase in our earnings per share in 2012, driven by higher volumes in both business groups combined with the impact of a reduced share count.

Foster Wheeler is a company that's well positioned for long-term success as we leverage our core strengths across a growth agenda focused on key end markets and geographies. I look forward to a journey that will be rewarding for investors, employees and clients as the company continues to build on a very strong foundation.



A handwritten signature in black ink, appearing to read "J. Masters". The signature is fluid and cursive, written in a professional style.

J. KENT MASTERS

Chief Executive Officer

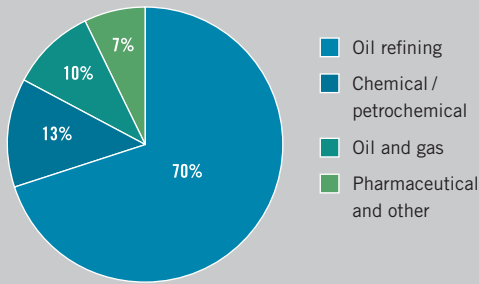
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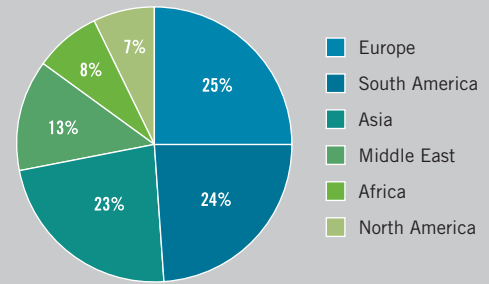
BUSINESS GROUP BACKLOG PROFILE

GLOBAL E&C GROUP: SCOPE BACKLOG*

Industry (percent)

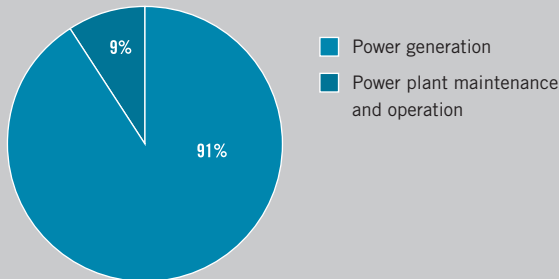


Project Location (percent)

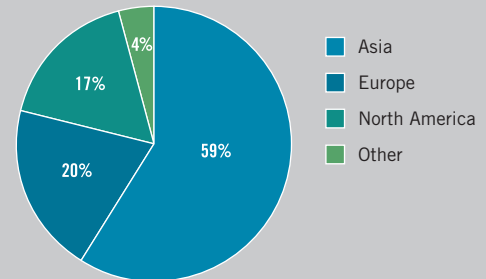


GLOBAL POWER GROUP: SCOPE BACKLOG*

Industry (percent)



Project Location (percent)



*All figures shown are as of year-end 2011. Scope excludes flow-through costs.

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