ANNUAL REPORT

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the annual period ended December 31, 2024

MCDERMOTT INTERNATIONAL, LTD

BERMUDA **(State or Other Jurisdiction of Incorporation or Organization)**	**98-1541353** **(I.R.S. Employer Identification No.)**
915 N. Eldridge Parkway **HOUSTON, TEXAS** **(Address of Principal Executive Offices)**	**77079** **(Zip Code)**

The number of Ordinary Shares of McDermott International, Ltd outstanding at March 28, 2025 was 28,484,229.

McDERMOTT INTERNATIONAL, LTD

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of McDermott International, Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of McDermott International, Ltd. (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Revenue recognition under long-term contracts
Description of the Matter	As described in Note 2 to the consolidated financial statements, the Company generally recognizes revenue for fixed price contracts over time using an input method described as the cost-to-cost approach to determine the extent of progress towards completion of performance obligations. Under the cost-to-cost approach, the determination of the progress towards completion requires management to prepare estimates of the costs to complete. These estimates are subject to considerable judgment and could be impacted by such assumptions as changes to the project schedule; the cost of labor, material and subcontractors; and productivity. In addition, management must also estimate the total contract revenue the Company expects to receive for the Company's contracts that include variable consideration, such as increases to transaction prices for unapproved change orders, claims, and incentives, and reductions to transaction price for liquidated damages or penalties. Auditing management's estimates of the progress towards completion of its projects was complex and subjective because of the considerable judgment required to evaluate management's determination of the forecasted costs to complete its fixed price contracts as future results depend on many uncertain variables. In

addition, auditing the Company's measurement of variable consideration was also complex and highly judgmental as increases to transaction prices for unapproved change orders, claims, and incentives, and reductions to transaction price for liquidated damages or penalties can have a material effect on the amount of revenue recognized and may require significant estimation by management regarding various possible outcomes.

How We Addressed the Matter in Our Audit

To test the Company's cost estimates, our audit procedures included, among others, evaluating the appropriate application of the cost-to-cost method; testing the significant assumptions discussed above used to develop the estimated cost to complete; and testing the completeness and accuracy of the underlying data. To assess management's estimated costs, we performed audit procedures that included, among others, agreeing the estimates to supporting documentation; conducting interviews with and reviewing questionnaires prepared by project personnel; attending selected project review meetings; obtaining visual evidence of selected projects to observe progress; analyzing trends of productivity; reviewing support for estimates of project contingencies; and performing lookback analyses to compare historical estimates to actual costs to assess management's ability to estimate.

To test the estimated variable consideration, we performed audit procedures that included, among others, obtaining and reviewing executed contracts including any significant amendments, change orders or claims; confirming key terms directly with the Company's customers; and evaluating management's estimates related to pending change orders, claims, incentives, liquidated damages or penalties by obtaining management's probability assessments; corroborating key data points to contractual language and entitlement clauses; and assessing historical price recovery rates on similar variable consideration contracts.

Ernst & Young LLP

We have served as the Company's auditor since 2018.

Houston, Texas
March 28, 2025

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)	
Revenues	$ 8,212	$ 6,860
Costs and expenses:		
Cost of operations	8,060	6,982
Project intangibles amortization	-	(9)
Total cost of operations	8,060	6,973
Selling, general and administrative expenses	195	150
Intangible assets amortization	57	57
Research and development expenses	6	4
Property, plant and equipment and operating lease right-of-use assets impairment	9	9
Restructuring costs	33	54
Transaction costs	11	17
Loss on disposal of other assets and investments, net	5	-
Total expenses	8,376	7,264
Income from investments in unconsolidated affiliates	12	31
Operating loss from continuing operations	(152)	(373)
Other (expense) income:		
Interest expense, net	(222)	(169)
Other non-operating income (expense), net	69	(48)
Total other expense, net	(153)	(217)
Loss from continuing operations before provision for income taxes	(305)	(590)
Income tax expense	97	104
Net loss from continuing operations	(402)	(694)
Net income from discontinued operations, net of tax	276	11
Net loss	(126)	(683)
Less: Net loss attributable to noncontrolling interests ("NCI")	(11)	-
Net loss attributable to McDermott	(115)	(683)
Dividends on Series A Preference Shares	(25)	(25)
Accretion of Series A Preference Shares	(37)	(39)
Accretion of Series A Preference Shares upon redemption and exchange	(125)	-
Net loss attributable to McDermott after Series A Preference Shares dividends and accretion	$ (302)	$ (747)

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,	
	2024	2023
	(In millions)	
Net loss	$ (126)	$ (683)
Other comprehensive (loss) income, net of tax:		
Gain (loss) on derivatives	(50)	(11)
Foreign currency translation	(14)	5
Other	-	(3)
Total comprehensive loss	(190)	(692)
Less: Comprehensive loss attributable to NCI	(11)	-
Comprehensive loss attributable to McDermott	$ (179)	$ (692)

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
	(In millions, except per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents ($99 and $112 related to variable interest entities ("VIEs"))	$ 757	$ 663
Restricted cash and cash equivalents	101	69
Accounts receivable—trade, net ($16 and $2 related to VIEs)	583	547
Accounts receivable—other ($3 and $1 related to VIEs)	138	205
Contracts in progress ($36 and $1 related to VIEs)	1,741	1,421
Current assets of discontinued operations	-	326
Other current assets ($7 and $8 related to VIEs)	143	173
Total current assets	3,463	3,404
Property, plant and equipment, net	982	965
Operating lease right-of-use assets	229	173
Accounts receivable—long-term retainages	230	145
Investments in unconsolidated affiliates	148	146
Intangible assets, net	275	332
Non-current assets of discontinued operations	-	225
Other non-current assets	267	182
Total assets	$ 5,594	$ 5,572
Liabilities, Mezzanine Equity and Stockholders' Equity		
Current liabilities:		
Operating lease obligations	$ 91	$ 59
Current portion of long-term debt	20	20
Accounts payable ($2 and $5 related to VIEs)	1,212	854
Advance billings on contracts ($150 and $136 related to VIEs)	1,702	1,421
Current liabilities of discontinued operations	-	462
Accrued liabilities ($65 and $41 related to VIEs)	1,580	1,515
Total current liabilities	4,605	4,331
Long-term debt	825	745
Long-term operating lease obligations	164	163
Deferred income taxes	75	97
Series B Preference Shares	117	-
Non-current liabilities of discontinued operations	-	246
Other non-current liabilities	423	423
Total liabilities	6,209	6,005
Mezzanine equity:		
Series A Preference Shares	-	284
Stockholders' equity:		
Ordinary shares, par value $0.125 per share; issued 28.4 and 5.2 shares	4	1
Capital in excess of par value	2,884	2,410
Accumulated deficit	(3,351)	(3,049)
Accumulated other comprehensive (loss) income ("AOCI")	(139)	(75)
Total McDermott stockholders' equity	(602)	(713)
Noncontrolling interest	(13)	(4)
Total stockholders' equity	(615)	(717)
Total liabilities and stockholders' equity	$ 5,594	$ 5,572

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)	
Cash flows from operating activities:		
Net loss	$ (126)	$ (683)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	149	148
Debt issuance cost amortization and debt discount and make-whole accretion	179	63
Series A Preference Shares deferred cost write off	38	-
Series B Preference Shares remeasurement	51	-
Property, plant and equipment and operating lease right-of-use assets impairment	9	9
Gain on sale of the CB&I business	(364)	-
Pension curtailment, settlement, and actuarial mark to market (gain)/loss, net	(20)	45
Income from investments in unconsolidated affiliates	(12)	(31)
(Gain) loss on disposal of other assets and investments, net	(2)	1
Provision under the Reficar Resolution Agreement	-	196
Other non-cash items	18	43
Changes in operating assets and liabilities, net of effects of business disposed:		
Accounts receivable	(98)	(127)
Contracts in progress, net of advance billings on contracts	95	(260)
Accounts payable	387	200
Other current and non-current assets	(20)	(59)
Other current and non-current liabilities	(52)	361
Total cash provided by/(used in) operating activities	$ 232	$ (94)
Cash flows from investing activities:		
Proceeds from sale of the CB&I business ($450), net of CB&I cash ($100)	350	-
Proceeds from sale of unconsolidated affiliate and property, plant and equipment	28	-
Purchases of property, plant and equipment	(96)	(71)
Investments in unconsolidated affiliates	-	(1)
Total cash provided by/(used in) investing activities	$ 282	$ (72)
Cash flows from financing activities:		
Tanks Term Loan - repayment	(330)	-
Tanks Term Loan - proceeds	-	250
LC Term Loans	(84)	-
Debt issuance costs	(35)	(43)
Amazon financing	(21)	(22)
Other	(4)	(5)
Total cash (used in)/provided by financing activities	$ (474)	$ 180
Net increase in cash, cash equivalents and restricted cash	40	14
Cash, cash equivalents and restricted cash at beginning of period	818	804
Cash, cash equivalents and restricted cash at end of period	858	818
Cash, cash equivalents and restricted cash at end of period - continuing operations	858	732
Cash, cash equivalents and restricted cash at end of period - discontinued operations	-	86
Supplemental cash flow information:		
Cash paid for interest	$ 132	$ 113
Cash paid for income taxes, net	119	90

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Deficit	AOCI	Stockholders' Equity	NCI	Total Equity
			(In millions)				
Balance at December 31, 2022	$ 1	$ 2,374	$ (2,302)	$ (66)	$ 7	$ (4)	$ 3
Net loss	-	-	(683)	-	(683)	-	(683)
Other comprehensive loss, net of tax	-	-	-	(9)	(9)	-	(9)
Common stock issued in connection with Tanks Credit facilities	-	32	-	-	32	-	32
Stock compensation expense	-	4	-	-	4	-	4
Accretion and dividends on Series A Preference Shares	-	-	(64)	-	(64)	-	(64)
Balance at December 31, 2023	$ 1	$ 2,410	$ (3,049)	$ (75)	$ (713)	$ (4)	$ (717)
Net loss	-	-	(115)	-	(115)	(11)	(126)
Other comprehensive loss, net of tax	-	-	-	(64)	(64)	-	(64)
Stock compensation expense	-	5	-	-	5	-	5
Accretion and dividends on Series A Preference Shares	-	-	(62)	-	(62)	-	(62)
Series A Preference Shares redemption and exchange	3	469	(125)	-	347	-	347
Other	-	-	-	-	-	2	2
Balance at December 31, 2024	$ 4	$ 2,884	$ (3,351)	$ (139)	$ (602)	$ (13)	$ (615)

See accompanying Notes to these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—NATURE OF OPERATIONS AND ORGANIZATION

Overview

McDermott International, Ltd ("MIL", "McDermott", "Company", "we" or "us"), established under the laws of Bermuda, is a fully integrated provider of engineering, procurement, construction and installation ("EPCI") solutions to the energy industry. We design and build end-to-end infrastructure solutions to transport and transform oil and gas into a variety of products. Our proprietary technologies, integrated expertise and comprehensive solutions, including energy transition, are utilized for offshore, subsea, liquefied natural gas ("LNG") and downstream energy projects around the world. Our customers include national, major integrated and other oil and gas companies as well as producers of petrochemicals and electric power, and we operate in most major energy-producing regions throughout the world. We execute our contracts through a variety of methods, including fixed-price, cost-reimbursable and hybrid, which has both cost-reimbursable and fixed-price characteristics (referred to as "hybrid contracts" further in the document). Hybrid contracting arrangements differ from the traditional, lump-sum model. Hybrid contracts may include a reimbursable component in which we are reimbursed relative to actual costs incurred instead of a predetermined price schedule. Additionally, hybrid contracts may include other terms that provide us with additional protections against general delays, inflation or other supply chain and procurement issues, among others, which is a key part of our renewed strategy.

Our corporate vision is to be a trusted global partner to our customers in creating and delivering complete, innovative and sustainable solutions which maximize the potential of natural resources, while seeking to minimize their environmental impact. In 2022, we launched a new strategy which supports our vision and leverages our core competencies, capabilities and assets to drive sustainable and profitable growth. Our bidding activity is focused on work where we are differentiated through our expertise and can achieve a more risk-balanced portfolio to account for increased risks, such as inflationary and supply chain pressures. Our new strategy is delivering tangible outcomes, largely driven by a diversification in our backlog portfolio. Under our new strategy we remain committed to reducing greenhouse gas ("GHG") emissions, managing water use, reducing waste-to-landfill and improving socially responsible investments that support the communities where we operate and to our sustainability targets, announced on July 29, 2021, which include targets to reach (1) a 50% reduction in scope 1 and 2 GHG emissions by 2030; (2) a 50% reduction in waste by 2030; and (3) specific milestones for advancing social investment, local content and human rights. Although we have not projected with certainty the amount of capital investment and expenses required to achieve our sustainability targets, those amounts are expected to be significant over the long term.

Our business is organized into three business lines, which represent our reportable segments consisting of: (1) Low Carbon Solutions (previously known as Onshore), focused on energy transition, including high voltage direct current platforms, LNG, differentiated project solutions, such as front-end engineering design ("FEED") conversions and modularization; (2) Offshore Middle East, focused on shallow water offshore projects in the Middle East; and (3) Subsea and Floating Facilities, focused on subsea, floating facilities and fixed facilities projects outside of the Middle East.

As further discussed in Note 3, *Discontinued Operations*, on December 4, 2024, we announced the completion of the sale of the CB&I storage solutions segment of our business ("CB&I") to a consortium of financial investors (the "Tanks Sale"). Operating results of the CB&I reporting segment have been classified as a discontinued operation within the Consolidated Statements of Operations ("Statements of Operations") for years ended December 31, 2024 and 2023, and assets and liabilities of the CB&I segment have been classified as assets and liabilities of a discontinued operation within the December 31, 2023 Consolidated Balance Sheet ("Balance Sheet"), as the sale represented a strategic shift and had a material effect on our operations and financial results. Cash flows of the CB&I segment are not reported separately within the Consolidated Statements of Cash Flows ("Statements of Cash Flows"). Unless otherwise noted, the footnotes to the Financial Statements relate to our continuing operations.

We also report certain global and corporate activities under the heading "Corporate and Global Operations", comprised of (1) corporate activities, which include certain centrally managed initiatives (such as reorganization, restructuring, acquisition and divestiture activities), impairments, year-end actuarial pension mark to market gains and losses and other costs not attributable to a particular reporting segment; and (2) global operations, relating to engineering and supply chain activities in India, our non-Middle East fabrication yards and global project management and controls.

Restructuring Transactions

In November 2022, we commenced negotiations with certain secured lenders, including an ad hoc group of certain lenders under our credit facilities and shareholders of MIL (the "Ad Hoc Group") and a steering committee comprised of Crédit Agricole Corporate and Investment Bank, and certain other lenders and issuers of our credit facilities (together, the "Steering Committee"). These negotiations coalesced around a deal structure that would, among other things, extend the maturities of the Escrow LC Facility and Exit Credit Agreement (defined and described in Note 10, *Debt*) to proactively address our liquidity needs and ability to satisfy our obligations. The negotiations between the Company, the Ad Hoc Group, and the Steering Committee ultimately culminated in the execution of a Transaction Support Agreement on September 8, 2023 (as amended by the Amendment to the Transaction Support Agreement dated January 24, 2024, the "Transaction Support Agreement"). In connection with the Transaction Support Agreement, the Company launched a series of integrated transactions (the "Restructuring Transactions") through three non-U.S. proceedings that collectively de-risked the Company's balance sheet, including by extending the maturity of the Escrow LC Facility and Exit Credit Agreement. The respective court approvals served to effectuate the Restructuring Transactions, following which, on March 25, 2024 we entered into amendments to the Escrow LC Facility and Exit Credit Agreement to, among other things, extend the maturity of those facilities (discussed in Note 10, *Debt*).

In connection with the Restructuring Transactions, we also compromised and discharged certain liabilities associated with the project with former customer Refineria de Cartagena S.A. ("Reficar"). On February 25, 2024, we reached an agreement with Reficar to resolve, satisfy all claims alleged by and release all future claims by Reficar (the "Reficar Resolution Agreement"). Upon reaching the Reficar Resolution Agreement, in our December 31, 2023 Balance Sheet within "Advance billings on contracts" we, recorded a loss reserve of \$196 million, comprised of (a) \$66 million representing the fair value of the Series B Preference Shares (as defined and described in Note 17, *Redeemable Preference Shares*), (b) \$95 million letter of credit held by Reficar deemed to be a borrowing under the LC Term Loans upon being drawn by Reficar (as defined and described in Note 10, *Debt*), (c) \$26 million representing the expected value of proceeds estimated to be recoverable by Reficar from applicable insurance (determined using the sum of probability-weighted possible amounts of insurance recovery), and (d) \$9 million of advisor costs reimbursable by us to Reficar. In the first quarter of 2024, we decreased the Reficar reserve within "Advance billings on contracts" by \$170 million to recognize (a) reclassification of \$66 million representing the fair value of the Series B Preference Shares to "Series B Preference Shares" within non-current liabilities; (b) reclassification of \$95 million to "Long-term debt" within non-current liabilities; and (c) reimbursement of \$9 million advisor costs to Reficar.

In connection with the Restructuring Transactions, we incurred approximately \$30 million and \$54 million of consulting and professional fees, recorded in Restructuring costs in our Statements of Operations for the years ended December 31, 2024 and 2023, respectively.

Recent Developments Affecting Our Business and Industry Conditions

Completion of the Tanks Sale allowed us to reduce our long-term debt (described in Note 10, *Debt*), and in conjunction with the redemption and exchange of all outstanding Series A Preference Shares (defined and described in Note 17, *Redeemable Preference Shares*) into Class A Ordinary Shares, simplified our capital structure and is expected to have a positive impact on our financial performance. In addition, extension of the Exit Credit Agreement and Escrow LC Facility maturities in the first quarter of 2024 (defined and described in Note 10, *Debt*) allowed us to proactively address our liquidity needs and ability to satisfy our obligations. Following the extension of the maturities of the Exit Credit Agreement and Escrow LC Facility, our customer and vendor relationships have improved significantly; however, we continue to closely monitor performance risks. We remain focused on managing risks around our supply chain to ensure continued progress on our project portfolio and are optimizing the utilization of our letter of credit capacity. We believe that we have or will obtain sufficient letter of credit capacity for future project awards, including the capacity under our uncommitted facilities (described in Note 10, *Debt*). In addition, we are actively pursuing the resolution of our unapproved change order position and liquidated damage exposure with our customers, but should there be a significant delay in collection of these unapproved change orders, or if there is an assessment of significant liquidated damages by our customers, or a requirement to collateralize letters of credit, these could strain our liquidity in the near term. Due to these items, and the significant costs incurred in effectuating the Restructuring Transactions and consummating the Tanks Sale, we anticipate that liquidity will remain constrained until the portfolio largely transitions to projects with enhanced margins, and we successfully conclude on the unapproved revenue position. We expect to maintain adequate liquidity, however, these assumptions are subject to uncertainty, and we cannot predict the ultimate impact of such events on our business, financial condition, results of operations, or cash flows.

In its report issued in December 2024, the Organization of the Petroleum Exporting Counties ("OPEC") noted that for 2024, the forecast for world oil demand growth was revised to 1.6 million barrels per day and the world oil demand growth forecast for 2025 was 1.4 million barrels per day. In April 2023, OPEC and partner countries announced a crude oil production cut of approximately 1.2 million barrels per day, bringing the total voluntary crude oil production cut to approximately 1.6 million barrels per day, to extend through the end of 2023. Since the announcement, these production cuts were extended through the end of 2024, then again through the end of 2025 and further extended again through the end of 2026. On November 30, 2023, additional voluntary production cuts of approximately 2.2 million barrels per day were announced and have since been similarly extended through the end of 2026. The cuts of 2.2 million barrels per day were expected to gradually phase out on a monthly basis beginning December 2024 but such phase out has since been extended to begin April 2025. Although the world oil demand is projected to expand into 2025, we expect to see continued volatility in oil and natural gas prices for the foreseeable future due to near-term production instability, potential sanctions and embargoes, potential tariffs or other changes in foreign trade policy, the possibility of recession or financial market instability, and supply chain disruption resulting from, among other things, the Russia-Ukraine and the Hamas-Israel conflicts, and we cannot predict the ultimate impact of these events on commodity prices.

Demand for LNG and other sources of energy continues to grow, creating an immediate demand for new distribution infrastructure, including pipelines, LNG terminals and processing capacity, to support ramped up LNG and natural gas exports to Europe. In 2023, the United States was the largest exporter of LNG. In January 2024, the Biden administration announced a temporary pause on pending permitting decisions for new LNG exports to non-FTA (free trade agreement) countries, but a federal court enjoined Biden's action, and the Trump administration formally withdrew the "pause" in January 2025. We anticipate that the industry's focus on transitioning to cleaner and renewable sources of energy will continue to grow and, as a result, will create additional opportunities for us to serve the industry and the energy transition with our proprietary technologies, integrated expertise and comprehensive solutions. However, the current inflationary pricing environment, threats of global recession, global supply chain disruptions, potential tariffs or other changes in foreign trade policy, and labor shortages worldwide are impacting growth prospects generally in the energy industry. The Russia-Ukraine conflict is expected to have further global economic consequences, including continued disruptions of the global supply chain and energy markets. The global market is also experiencing inflationary pressures, including rising costs, a tightening steel market and labor shortages, which could result in increases to our operating costs that are not fixed, in addition to raising costs for our customers.

Additionally, the ongoing Hamas-Israel conflict is unpredictable and has led to market disruptions, supply chain disruptions, increases in the cost of transportation, volatility in the capital markets, interest rates and debt capital costs, diminished liquidity and credit availability, declines in consumer confidence and discretionary spending, which have in turn contributed to global inflationary pressures. While we believe that demand for hydrocarbon resources for both fuel and other downstream activities will continue increasing into 2025, we expect to see continued volatility in oil and natural gas prices for the foreseeable future due to, among other things, the Russia-Ukraine and the Hamas-Israel conflicts, which could, over the long term, adversely impact our industry and create uncertainty in our business.

Further, we conduct certain of our operations in the Middle East, and there is still uncertainty regarding the extent to which the regional conflicts, Hamas-Israel, among others, will impact our operations in the Middle East. We are currently experiencing disruptions to our global supply chain which have resulted in project prolongations and have negatively impacted performance. These disruptions and the resulting impacts have led to an increase in the number and amounts of unapproved change orders we are currently pursuing with our customers. The ultimate impact of the regional and international conflicts and other geopolitical factors-conditions will depend on future developments and the timing and extent to which normal economic and operating conditions resume.

NOTE 2—BASIS OF PRESENTATION

Basis of Presentation

We have presented our financial statements in U.S. dollars in accordance with accounting principles generally accepted in the United States ("GAAP"). These financial statements reflect all wholly owned subsidiaries and those entities we are required to consolidate. See the discussion below under the caption "Joint Venture and Consortium Arrangements" in this footnote for further discussion of our consolidation policy for those entities that are not wholly owned. In accordance with industry practice, we include in current assets and current liabilities amounts realizable and payable under long-term construction contracts. In the opinion of our management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. Intercompany balances and transactions are eliminated in consolidation. Values presented within tables (excluding per share data) are in millions and may not sum due to rounding.

Use of Estimates and Judgments

The preparation of financial statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We believe the most significant estimates and judgments are associated with:

- revenue recognition for our contracts, including estimating costs to complete each contract and the recognition of incentive fees and unapproved change orders and claims;
- assessment of liquidated damages;
- fair value and recoverability assessments that must be periodically performed with respect to long-lived tangible assets and intangible assets;
- valuation of deferred tax assets and financial instruments;
- the determination of liabilities related to loss contingencies, self-insurance programs and income taxes;
- the determination of pension-related obligations; and
- consolidation determinations with respect to our joint venture and consortium arrangements.

Actual amounts may differ from those included in the financial statements if the underlying estimates and assumptions differ from actual experience.

Significant Accounting Policies

Revenue Recognition—Our revenue is primarily derived from long-term contracts with customers, and we determine the appropriate accounting treatment for each contract at inception in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"). Our contracts primarily relate to offshore, subsea, LNG and downstream energy around the world. Additionally, our services may be provided between or among our reporting segments.

Contracts—Our contracts are awarded on a competitively bid and negotiated basis, and the timing of revenue recognition is impacted by the terms of such contracts. We use a range of contracting options, including fixed-price, cost-reimbursable and hybrid, which has both cost-reimbursable and fixed-price characteristics. Under fixed-price contracts, we perform our services and execute our projects at an established price, payments are generally linked to specific milestones, most of the times mandated by customers. Hybrid contracts with a more significant fixed-price component, tend to provide us with greater control over project schedule and the timing of when work is performed and costs are incurred, and, accordingly, when revenue is recognized. Under cost-reimbursable contracts, we generally perform our services in exchange for a price that consists of reimbursement of all customer-approved costs and a profit component, which is typically a fixed rate per hour, an overall fixed fee or a percentage of total reimbursable costs. Hybrid contracts with a more significant cost-reimbursable component, generally provide our customers with greater influence over the timing of when we perform our work, and, accordingly, such contracts often result in less predictability with respect to the timing of revenue recognition. Our shorter-term contracts and services are generally provided on a cost-reimbursable, fixed-price or unit price basis. Additionally, services for a contract may be provided between our reporting segments.

- *Performance Obligations*—A performance obligation is a promise in a contract to transfer distinct goods or services to a customer and is the unit of account in ASC Topic 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our contract costs and related revenues are generally recognized over time as work progresses due to continuous transfer to the customer. To the extent a contract is deemed to have multiple performance obligations, we allocate the transaction price of the contract to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. In addition, certain contracts may be combined and deemed to be a single performance obligation. Our EPCI contracts are generally deemed to be single performance obligations and our contracts with multiple performance obligations were not material as of December 31, 2024.

- *Performance Obligations Satisfied Over Time*—Revenues for our contracts that satisfy the criteria for over time recognition are recognized as the work progresses. Revenues for contracts recognized over time include revenues for contracts to provide: EPCI services; engineering services; construction services; pipe and steel fabrication services; engineered and manufactured products. We measure transfer of control utilizing an input method to measure progress of the performance obligation based upon the cost-to-cost measure of progress, as it best depicts the transfer of assets to the customer, with Cost of operations including direct costs, such as materials and labor, and indirect costs that are attributable to contract activity. Under the cost-to-cost approach, the use of estimated costs to complete each performance obligation is a significant variable in the process of determining recognized revenues and is a significant factor in the accounting for such performance obligations. Significant estimates impacting the cost to complete each performance obligation are: costs of engineering, materials, components, equipment, labor and subcontracts; vessel costs; labor productivity; schedule durations, including subcontractor or supplier progress; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts in progress. Additionally, external factors such as weather, customer requirements and other factors outside of our control, may affect the progress and estimated cost of a project's completion and, therefore, the timing and amount of recognition of revenues and income. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which could result in material changes to our financial statements and related disclosures.

- *Performance Obligation Satisfied at a Point-in-Time Method*—Contracts with performance obligations that do not meet the criteria to be recognized over time are required to be recognized at a point in time, whereby revenues and gross profit are recognized only when a performance obligation is complete and a customer has obtained control of a promised asset. Revenues for contracts recognized at a point in time included certain non-engineering and non-construction oriented services (which are recognized when the services are performed). In determining when a performance obligation is complete for contracts with revenues recognized at a point in time, we measure transfer of control considering physical possession of the asset, legal transfer of title, significant risks and rewards of ownership, customer acceptance and our rights to payment.

- *Remaining Performance Obligations ("RPOs")*—RPOs represent the amount of revenues we expect to recognize in the future from our contract commitments on projects. RPOs include the entire expected revenue for joint ventures we consolidate and our proportionate value for consortiums we proportionately consolidate. We do not include expected revenues of contracts related to unconsolidated joint ventures in our RPOs, except to the extent of any subcontract awards we receive from those joint ventures. When deemed significant, currency risks associated with RPOs which are not mitigated within the contracts are generally mitigated with the use of foreign currency derivative (hedging) instruments to the extent we have capacity with our hedging counterparties, which can fluctuate with activity levels and market conditions and our counterparties' willingness to transact with us. However, these actions may not eliminate all currency risk exposure included within our long-term contracts. RPOs may not be indicative of future operating results, and projects included in RPOs may be cancelled, modified or otherwise altered by customers.

- *Variable Consideration*—Transaction prices for our contracts may include variable consideration, which includes increases to transaction prices for approved and unapproved change orders, claims, incentives and bonuses, and reductions to transaction price for liquidated damages or penalties. Change orders, claims and incentives are generally not distinct from the existing contracts due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. We estimate variable consideration for a performance obligation at the most likely amount to which we expect to be entitled (or the most likely amount we expect to incur in the case of liquidated damages), utilizing estimation methods that best predict the amount of consideration to which we will be entitled (or will be incurred in the case of liquidated damages). We include variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenues recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determinations of whether to include estimated amounts in transaction prices are based largely on assessments of our anticipated performance and all information (historical, current and forecasted) reasonably available to us. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenues on a cumulative catch-up basis. To the extent unapproved change orders and claims reflected in transaction price (or excluded from transaction price in the case of liquidated damages) are not resolved in our favor, or to the extent incentives reflected in transaction price are not earned, there could be reductions in, or reversals of, previously recognized revenue.

- *Warranty*—Certain contracts include an assurance-type warranty clause to guarantee that the products comply with agreed specifications. We provide limited warranties to customers for work performed under our contracts that typically extend for a limited duration following substantial completion of our work on a project. Such warranties are not sold separately and do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications. Accordingly, these types of warranties are not considered to be separate performance obligations. Historically, warranty claims have not been material.

- *Loss Recognition*—Revenues from customers may not cover increases in our costs or our total estimated costs. It is possible that current estimates could materially change for various reasons. For all contracts, if a current estimate of total contract cost indicates a loss ("Loss Project"), the projected loss is recognized in full immediately and reflected in Cost of operations in the Statements of Operations. It is possible that these estimates could change due to unforeseen events, which could result in adjustments to overall contract revenues and costs. Variations from estimated contract performance could result in material adjustments to operating results for any fiscal quarter or year. In our Balance Sheets, accruals of provisions for estimated losses on all active, uncompleted projects are included in Advance billings on contracts.

- *Accounts Receivable and Contract Balances*—The timing of when we bill our customers is generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of the work, or when the services are provided or products are shipped.

  - *Accounts Receivable*—Any uncollected billed amounts for our performance obligations recognized over time, including contract retainages to be collected within one year, are recorded within Accounts receivable-trade, net. Any uncollected billed amounts, unbilled receivables for which we have an unconditional right to payment, and unbilled receivables for our performance obligations recognized at a point in time are also recorded within Accounts receivable-trade, net. Contract retainages to be collected beyond one year are recorded within Accounts receivable—long-term retainages. We establish allowances for doubtful accounts based on our assessments of collectability.

  - *Contracts in Progress*—Projects with performance obligations recognized over time that have revenues recognized to date in excess of cumulative billings are reported within Contracts in progress on our Balance Sheets. While at times certain of our contracts are structured such that we pay internal costs, vendors, and subcontractors in advance of collecting related revenue from our customers, we typically do not include explicit financing components within our contracts.

  - *Advance Billings on Contracts*—Projects with performance obligations recognized over time that have cumulative billings in excess of revenues are reported within Advance billings on contracts on our Balance Sheets. Our Advance billings on contracts balance also includes our accruals of provisions for estimated losses on all active projects.

Concentration of Credit Risk—Our principal customers are businesses in the oil and gas exploration and development, petrochemical, natural resources and power industries. This concentration of customers may impact our overall exposure to credit risk, either positively or negatively, in that our customers may be similarly affected by changes in economic or other conditions. In addition, we and many of our customers operate worldwide and are therefore exposed to risks associated with the economic and political forces of various countries and geographic areas. We generally do not obtain any collateral for our receivables.

As discussed under Note 8, *Joint Venture and Consortium Arrangements,* the use of joint ventures and consortiums exposes us to a number of risks, including credit risks of our co-venturers.

Cash, Cash Equivalents and Restricted Cash—Our cash and cash equivalents are highly liquid investments with maturities of three months or less when we purchase them. We record cash and cash equivalents as restricted when we are unable to freely use such cash and cash equivalents for our general operating purposes.

Leases—We classify an arrangement as a lease at inception if we have the right to control the use of an identified asset we do not legally own for a period of time in exchange for consideration. In general, leases with an initial term of 12 months or less are not recorded on our Balance Sheet unless it is reasonably certain we will renew the lease. Leases with an initial term of more than 12 months, whether classified as operating or finance, are also generally recorded on our Balance Sheets based on the present value of lease payments over the lease term, determined at lease commencement. Determination of the present value of lease payments requires a discount rate. We use the implicit rate in the lease agreement when available. Most of our leases do not provide an implicit interest rate; therefore, we use an incremental borrowing rate based on information available at the commencement date.

Our lease terms may include options to extend or terminate the lease. Lease expense for operating leases and the amortization of the right-of-use asset for operating leases are recognized primarily on a straight-line basis over the lease terms, in each case taking into account such option when it is reasonably certain we will exercise that option.

We have lease agreements with lease and non-lease components, which are generally accounted for separately for all leases other than leases at our construction project sites. Non-lease components included in assets and obligations under operating leases are not material to our financial statements.

For our joint ventures, consortiums and other collaborative arrangements (referred to as “joint ventures” and “consortiums”), the right-of-use asset and lease obligations are generally recognized by the party that enters into the lease agreement, which could be the joint venture directly, one of our co-venturers or us. We have recognized our proportionate share of leases entered into by our proportionately consolidated joint ventures, where the joint venture has the right to control the use of an identified asset.

Property, Plant and Equipment—We carry our property, plant and equipment at depreciated cost. Except for major marine vessels, we depreciate our property, plant and equipment using the straight-line method, over the estimated economic useful lives of three to 46 years for buildings and three to 28 years for machinery and equipment. We do not depreciate property, plant and equipment classified as held for sale.

We depreciate major marine vessels using the units-of-production method based on the utilization of each vessel. Our units-of-production method of depreciation involves the calculation of depreciation expense on each vessel based on the product of actual utilization for the vessel for the period and the applicable daily depreciation value (which is based on vessel book value, standard utilization and vessel life) for the vessel. Our actual utilization is determined based on the actual days that the vessel was working or otherwise actively engaged (other than in transit between regions) under a contract, as determined by daily vessel operating reports prepared by the crew of the vessel. Our standard utilization is determined by vessel at least annually based on recent actual utilization combined with an expectation of future utilization, both of which allow for idle time. In periods of very low utilization, a minimum amount of depreciation expense of at least 25% of an equivalent straight-line depreciation expense (which is based on an initial 25-year life) is recorded.

We capitalize drydocking costs in other current assets and other assets when incurred and amortize the costs over the period of time between two drydock periods, which is generally five years. We expense the costs of other maintenance, repairs and renewals, which do not materially prolong useful life of an asset, as we incur them.

Intangible and Other Long-Lived Assets—Our intangible assets were recognized upon emergence from bankruptcy and are amortized utilizing a straight-line method.

We review tangible assets and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable. If a recoverability assessment is required, the estimated future undiscounted cash flow associated with the asset or asset group will be compared to its respective carrying amount to determine if an impairment exists. If the asset or asset group fails the recoverability test, we will perform a fair value measurement to determine and record an impairment charge.

Foreign Currency—The nature of our business activities involves the management of various financial and market risks, including those related to changes in foreign currency exchange rates. The effects of translating financial statements of foreign operations into our reporting currency are recognized as a cumulative translation adjustment in accumulated other comprehensive income (loss) (“AOCI”), which is net of tax, where applicable.

Derivative Financial Instruments—We utilize derivative financial instruments in certain circumstances to mitigate the effects of changes in foreign currency exchange rates.

We do not engage in currency speculation. However, we utilize foreign currency exchange rate derivatives on an ongoing basis to hedge against certain foreign currency related operating exposures. We generally apply hedge accounting treatment for contracts used to hedge operating exposures and designate them as cash flow hedges. Therefore, gains and losses are included in AOCI until the associated underlying operating exposure impacts our earnings, at which time the impact of the hedge is recorded within the Statements of Operations line item associated with the underlying exposure. Changes in the fair value of instruments that we do not designate as cash flow hedges are recognized in the Statements of Operations line item associated with the underlying exposure.

Joint Ventures and Consortiums—In the ordinary course of business, we execute specific projects and conduct certain operations through joint ventures and consortiums. We have various ownership interests in these joint ventures and consortiums, with such ownership typically proportionate to our decision making and distribution rights. The joint ventures and consortiums generally contract directly with their third-party customers; however, services may be performed directly by the joint ventures and consortium, us, our co-venturers, or a combination thereof.

Joint venture and consortium net assets consist primarily of working capital and property and equipment, and assets may be restricted from use for obligations outside of the joint ventures or consortiums. These joint ventures and consortiums typically have limited third-party debt or have debt that is non-recourse in nature. They may provide for capital calls to fund operations or require participants in the joint ventures or consortiums to provide additional financial support, including advance payment or retention letters of credit.

Each joint venture or consortium is assessed at inception and on an ongoing basis as to whether it qualifies as a Variable Interest Entity ("VIE") under the consolidations guidance in ASC Topic 810, *Consolidations*. A venture generally qualifies as a VIE when it (1) meets the definition of a legal entity, (2) absorbs the operational risk of the projects being executed, creating a variable interest, (3) lacks sufficient capital investment from the co-venturers, potentially resulting in the joint venture or consortium requiring additional subordinated financial support to finance its future activities, (4) structured with non-substantive voting rights, and (5) the equity holders, as a group, lack the characteristics of a controlling financial interest.

If at any time a joint venture or consortium qualifies as a VIE, we perform a qualitative assessment to determine whether we are the primary beneficiary of the VIE and, therefore, need to consolidate the VIE. We are the primary beneficiary if we have (1) the power to direct the economically significant activities of the VIE and (2) the right to receive benefits from and obligation to absorb losses of the VIE. If the joint venture or consortium is a VIE and we are the primary beneficiary, or we otherwise have the ability to control the joint venture or consortium, it is consolidated. If we determine we are not the primary beneficiary of the VIE or only have the ability to significantly influence, rather than control the joint venture or consortium, it is not consolidated.

We account for joint ventures and consortium arrangements which are not fully consolidated using either: (1) proportionate consolidation for both the Balance Sheet and Statement of Operations when we meet the applicable accounting criteria to do so; or (2) the equity method. For joint ventures and consortiums where we utilize the equity method of accounting, we record our share of the profit or loss of the investments, net of income taxes, within Income (loss) from investments in unconsolidated affiliates in the Statements of Operations. We evaluate our equity method investments for impairment when events or changes in circumstances indicate the carrying value of such investments may have experienced an other-than-temporary decline in value. When evidence of loss in value has occurred, we compare the estimated fair value of our investment to the carrying value of our investment to determine whether an impairment has occurred. If the estimated fair value is less than the carrying value and we consider the decline in value to be other-than-temporary, the excess of the carrying value over the estimated fair value is recognized in the financial statements as an impairment.

The use of joint ventures and consortiums exposes us to a number of risks, including the risk that the third-party joint venture or consortium participants may be unable or unwilling to provide their share of capital investment to fund the operations of the joint venture or consortium or complete their obligations to us, the joint venture or consortium, or ultimately, our customer. Differences in opinions or views among joint venture or consortium participants could also result in delayed decision-making or failure to agree on material issues, which could adversely affect the business and operations of a joint venture or consortium. In addition, agreement terms may subject us to joint and several liability for the third-party participants in our joint ventures or consortiums, and the failure of any of those third parties to perform their obligations could impose additional performance and financial obligations on us. These factors could result in unanticipated costs to complete the projects, liquidated damages or contract disputes.

Insurance and Self-Insurance—Our wholly owned "captive" insurance subsidiaries provide coverage for our retentions under employer's liability, general and products liability, automobile liability and workers' compensation insurance and, from time to time, builder's risk and marine hull insurance within certain limits. We may also have business reasons in the future to arrange for our insurance subsidiaries to insure other risks which we cannot or do not wish to transfer to outside insurance companies. Premiums charged and reserves related to these insurance programs are based on the facts and circumstances specific to the insurance claims, our past experience with similar claims, loss factors and the performance of the outside insurance market for the type of risk at issue. The actual outcome of insured claims could differ significantly from estimated amounts. We maintain actuarially determined accruals in our Balance Sheets to cover self-insurance retentions for the coverage discussed above. These accruals are based on various assumptions developed utilizing historical data to project future losses. Loss estimates in the calculation of these accruals are adjusted as required based upon reported claims, actual claim payments and settlements and claim reserves. These loss estimates and accruals recorded in our financial statements for claims have historically been reasonably accurate. Claims as a result of our operations, if greater in frequency or severity than actuarially predicted, could adversely impact the ability of our captive insurance subsidiaries to respond to all claims presented.

Pension and Postretirement Benefit Plans—We have both defined benefit (funded and unfunded) and defined contribution plans. For the defined benefit plans, a projected benefit obligation is calculated annually with the assistance of independent actuaries using the unit credit method. We recognize actuarial mark to market gains and losses on pension and postretirement benefit plans immediately in our operating results. These gains and losses are generally measured annually, as of December 31, and, accordingly, will normally be recorded during the fourth quarter, unless an earlier remeasurement is required. Should actual experience differ from actuarial assumptions, the projected pension benefit obligation and net pension cost and accumulated postretirement benefit obligation and postretirement benefit cost would be affected in future years. Pension costs primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, offset by expected return on plan assets.

We estimate income or expense related to our pension and postretirement benefit plans based on actuarial assumptions, including assumptions regarding discount rates and expected returns on plan assets, adjusted for current period actuarial gains and losses. We determine our discount rate based on a review of published financial data and discussions with our third-party actuary regarding rates of return on high-quality, fixed-income investments currently available and expected to be available during the period to maturity of our pension obligations. Based on historical data and discussions with our investment consultant, we determine our expected return on plan assets, utilizing the expected long-term rate of return on our plan assets and the market value of our plan assets. The expected long-term rate of return is based on the expected return of the various asset classes held in the plan, weighted by the target allocation of the plan's assets. Changes in these assumptions can result in significant changes in our estimated pension income or expense and our consolidated financial condition. We revise our assumptions annually based on changes in current interest rates, return on plan assets and the underlying demographics of our workforce. These assumptions are reasonably likely to change in future periods and may have a material impact on our future earnings.

For defined contribution plans, we make employer contributions pursuant to the terms of those plans. The employer contributions are recognized as employee benefit expense when due.

Loss Contingencies—We record liabilities for loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. We provide disclosure when there is a reasonable possibility that the ultimate loss will exceed by a material amount the recorded provision or if the loss is not reasonably estimable but is expected to be material to our financial results. We are currently involved in litigation and other proceedings, as discussed in Note 18, *Commitments and Contingencies*. We have accrued our estimates of the probable losses associated with these matters, and associated legal costs are generally recognized as incurred. However, our losses are typically resolved over long periods of time and are often difficult to estimate due to various factors, including the possibility of multiple actions by third parties. Therefore, it is possible future earnings could be affected by changes in our estimates related to these matters.

Income Taxes—Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using currently enacted income tax rates for the years in which the differences are expected to reverse. We provide for income taxes based on the tax laws and rates in the countries in which we conduct our operations. We operate in numerous taxing jurisdictions around the world. Each of these jurisdictions has a regime of taxation that varies, not only with respect to statutory rates, but also with respect to the basis on which these rates are applied. These variations, along with changes in our mix of income or loss from these jurisdictions, may contribute to shifts, sometimes significant, in our effective tax rate.

On a periodic and ongoing basis, we evaluate our net deferred tax assets ("DTAs") (including our net operating loss ("NOL") DTAs) and assess the appropriateness of our valuation allowances ("VAs"). A VA is provided to offset any net DTAs if, based on the available evidence, it is more likely than not that some or all of the DTAs will not be realized. The realization of our net DTAs depends on our ability to generate sufficient future taxable income of the appropriate character and in the appropriate jurisdictions. In assessing the need for a VA, we consider both positive and negative evidence related to the likelihood of realization of the DTAs. If, based on the weight of available evidence, our assessment indicates it is more likely than not a DTA will not be realized, we record a VA. Our assessments include, among other things, the amount of taxable temporary differences which will result in future taxable income, evaluations of existing and anticipated market conditions, analysis of recent and historical operating results (including cumulative losses over multiple periods) and projections of future results, strategic plans and alternatives for associated operations, as well as asset expiration dates, where applicable.

Income tax and associated interest and penalty reserves, where applicable, are recorded in those instances where we consider it more likely than not that additional tax will be due in excess of amounts reflected in income tax returns filed worldwide, irrespective of whether we have received tax assessments. We continually review our exposure to additional income tax obligations and, as further information becomes known or events occur, changes in our tax, interest and penalty reserves may be recorded within income tax expense.

During the year ended December 31, 2024, we recognized a loss before provision for income taxes of $305 million, compared to the loss of $590 million during the year ended December 31, 2023. The provision for income taxes was $97 million and $104 million for the year ended December 31, 2024 and 2023, respectively. The effective tax rate was approximately (32%) for the year ended December 31, 2024 and (18%) for the year ended December 31, 2023.

The negative effective tax rate for the year ended December 31, 2024 was the result of tax accrued for a mix of earnings in the higher tax rate jurisdictions and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes, tax attributes expiration and changes in the valuation allowance related to deferred tax assets.

The negative effective tax rate for the year ended December 31, 2023 was partially driven by the recognition of the reserve for the Reficar matter, as discussed in Note 1, *Nature of Operations and Organization*, which did not have offsetting tax benefit, and an increase in taxes from profitable jurisdictions while still generating losses in jurisdictions with no offsetting tax benefit. The effective tax rate was also adversely impacted by increased tax expense related to withholding taxes, changes in the deferred tax valuation allowance and additional tax from business line restructuring.

Recent accounting guidance issued not yet adopted as of December 31, 2024

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, requiring entities to disclose additional information about specific expense categories in the notes to the financial statements on an interim and annual basis. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and for interim periods beginning after December 15, 2027, with early adoption permitted. We are currently evaluating the effect that adoption of ASU 2024-03 will have on our disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require disclosure of specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. For non-public entities, the amendments are effective for annual periods beginning after December 15, 2025, with early adoption permitted. We are currently evaluating the impact that this ASU will have on our disclosures. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows and financial condition.

NOTE 3—DISCONTINUED OPERATIONS

On December 4, 2024, we completed the sale of our CB&I storage solutions segment to a consortium of financial investors for approximately $450 million. In addition, as part of working capital allocation prior to the sale, approximately $25 million was transferred from the CB&I segment to the McDermott group.

We considered the operations of the CB&I segment to be a discontinued operation, as the sale represented a strategic shift and had a material effect on our operations and financial results. Operating results of the CB&I segment have been classified as a discontinued operation within the Statements of Operations for the years ended December 31, 2024 and 2023. Assets and liabilities of the CB&I segment have been classified as assets and liabilities of discontinued operations held for sale within the Balance Sheet as of December 31, 2023 and were as follows:

	December 31, 2023 (In millions)
Assets	
Current assets:	
Cash and cash equivalents	$ 84
Restricted cash and cash equivalents	2
Accounts receivable—trade, net	173
Accounts receivable—other	3
Contracts in progress	42
Other current assets	22
Total current assets of discontinued operations	326
Property, plant and equipment, net	79
Operating lease right-of-use assets	9
Accounts receivable—long-term retainages	22
Intangible assets, net	110
Other non-current assets	5
Total assets of discontinued operations	$ 551
Liabilities	
Current liabilities:	
Operating lease obligations	$ 6
Accounts payable	58
Advance billings on contracts	285
Accrued liabilities	113
Total current liabilities of discontinued operations	462
Tanks Term Loan Facility	224
Long-term operating lease obligations	3
Other non-current liabilities	19
Total liabilities of discontinued operations	$ 708
Net assets of discontinued operations	$ (157)

The results of discontinued operations of the CB&I segment, which have been reflected within discontinued operations in the Statements of Operations for the years ended December 31, 2024 and 2023, were as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)	
Revenues	$ 699	$ 887
Costs and expenses:		
Cost of operations	606	807
Selling, general and administrative expenses	31	27
Intangible assets amortization	10	11
Research and development expenses	4	3
Transaction costs	4	-
(Gain) loss on disposal of other assets, net	(1)	1
Total expenses	654	849
Operating income	45	38
Other expense:		
Interest expense, net	(126)	(17)
Other non-operating income (expense), net	4	1
Total other expense, net	(122)	(16)
(Loss) income from discontinued operations before provision for income taxes	(77)	22
Pretax gain on the disposal of the discontinued operations	364	-
Income tax expense	11	11
Net income from discontinued operations	$ 276	$ 11

(1) Due to the requirement to use the proceeds from the CB&I segment disposal to repay the Tanks Term Loan facility and a portion of the LC Term Loans (both described in Note 10, *Debt*), the associated interest expense and the non-cash accretion were recorded in the discontinued operations results.

(2) Gain on the disposal of the CB&I segment is summarized as follows:

	(In millions)
Proceeds from the CB&I sale	$ 450
Tanks Term Loan repayment	(330)
Selling costs	(19)
	101
Net assets of the CB&I	(269)
Cumulative translation adjustment	6
	(263)
Gain from the CB&I business sale	$ 364

Cash flows of the CB&I segment are not reported separately within the Statements of Cash Flows. Our Cash Flow Statements for the years ended December 31, 2024 and 2023 include the following cash flows associated with our discontinued operations: (1) approximately $26 million of positive and $244 million of negative operating cash flows, respectively; (2) approximately $12 million and $10 million, respectively, of negative investing cash flows, primarily associated with capital expenditures; and (3) approximately $330 million repayment and $250 million borrowing, net of $11 million of debt issuance costs, within financing cash flows, respectively, associated with the Tanks Term Loan facility, described in Note 10, *Debt*.

We retained liability for claims or litigation related to the CB&I segment against any entities that remained with McDermott after the sale.

NOTE 4—REVENUE RECOGNITION

Remaining Performance Obligations (“RPOs”)

Our RPOs, by segment, were as follows:

	December 31, 2024 (Dollars in millions)		December 31, 2023 (Dollars in millions)	
Low Carbon Solutions	$ 7,061	40%	$ 8,325	45%
Offshore Middle East	8,207	46%	7,547	41%
Subsea and Floating Facilities	2,478	14%	2,606	14%
Total	$ 17,746	100%	$ 18,478	100%

Our RPOs decreased by approximately $0.7 billion from December 31, 2023 to December 31, 2024, due to new awards and change orders of approximately $7.5 billion offset by operating revenues of approximately $8.2 billion, in each case recognized during the year ended December 31, 2024.

Of the December 31, 2024 RPOs, we expect to recognize revenues as follows:

	2025	2026	Thereafter
		(In millions)	
Total RPOs	$ 6,516	$ 4,650	$ 6,580

Revenue Disaggregation

Our revenues, by contract type and revenue recognition methodology, were as follows:

	Year ended December 31,	
	2024	2023
	(In millions)	
Revenues by contract type:		
Fixed price	$ 5,209	$ 5,283
Hybrid	2,866	1,645
Reimbursable	111	82
Unit-basis and other	26	46
	8,212	7,056
Other [(1)]	-	(196)
	$ 8,212	$ 6,860
Revenues by recognition methodology:		
Over time	$ 8,205	$ 7,049
At a point in time	7	7
	8,212	7,056
Other [(1)]	-	(196)
	$ 8,212	$ 6,860

(1) Our consolidated operating revenue for the year ended December 31, 2023 was reduced by the $196 million reserve, recognized in connection with the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization*, under “Restructuring Transactions”.

Revenue recognition

Unapproved Change Orders—As of December 31, 2024, we had unapproved change orders included in transaction prices for our projects aggregating to approximately $1,002 million, of which approximately $206 million was included in our RPO balance. Our unapproved change orders totaled $204 million for our Low Carbon Solutions segment, $708 million for our Offshore Middle East segment, and $90 million for our Subsea and Floating Facilities segment. Approximately 70% of unapproved change orders as of December 31, 2024 were associated with our top two customers.

In previous filings we have referenced provisional costs within our hybrid contracts that contractually commit our customers to the identified costs. The provisional costs were previously reflected as unapproved change orders, but have been recharacterized to exclude these costs given their contractually reimbursable terms. Provisional costs of $151 million in our Low Carbon Solutions segment were previously reflected as unapproved change orders as of December 31, 2023.

After considering the recharacterization of provisional costs, the net increase to our unapproved change orders during the year ended December 31, 2024, totaled $5 million and included approximately (1) $111 million in net additions in our Offshore Middle East segment and (2) $2 million in net additions in our Subsea and Floating Facilities segment, offset by (3) $108 million in net reductions in our Low Carbon Solutions segment.

As of December 31, 2023, we had unapproved change orders included in transaction prices for our continuing operations projects aggregating to approximately $1,148 million, of which approximately $499 million was included in our RPO balance.

Our unapproved change orders are in differing stages of the formal execution process and have varying forms of entitlement, including explicit contractual entitlement, customer-requested scope increases, and country-specific laws or regulations, supported by agreements in principle or advanced negotiations.

Incentives—As of December 31, 2024, we had incentives included in transaction prices for our projects aggregating to approximately $210 million, primarily within our Offshore Middle East segment, of which approximately $22 million was included in our RPO balance.

As of December 31, 2023, we had incentives included in transaction prices for our projects aggregating to approximately $57 million, of which approximately $19 million was included in our RPO balance.

Loss projects—Our accrual of provisions for estimated losses as of December 31, 2024 and 2023 is included in the "Advance billings on contracts" account and was approximately $78 million and $290 million, respectively. Loss provision as of December 31, 2024 and 2023, included (1) $26 million and $196 million, respectively, accrued in connection with the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization;* and (2) $52 million and $46.5 million, respectively, primarily related to loss projects that are approximately 97% complete on a weighted-average basis as of December 31, 2024. Loss provision as of December 31, 2023 also included $47.5 million associated with the Baystar projects, which was reversed in the third quarter of 2024, as discussed under "Baystar Arbitrations" in Note 18, *Commitments and Contingencies*.

Other—Revenue recognized during the year ended December 31, 2024 attributable to Advance billings on contracts balance outstanding as of December 31, 2023 was approximately $971 million. Revenue recognized during the year ended December 31, 2023 attributable to Advance billings on contracts balance outstanding as of December 31, 2022 was approximately $811 million.

Some of our contracts contain provisions that require us to pay liquidated damages if we are responsible for the failure to meet specified contractual milestone dates and the customer asserts a claim under those provisions. Those contracts define the conditions under which our customers may make claims against us for liquidated damages. In most cases in which we have historically had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. As of December 31, 2024 and 2023, we determined that we had approximately $527 million and $651 million of potential liquidated damages exposure based on performance under contracts to date, respectively. Based on our performance and commercial and legal analysis, we believe we have appropriately recognized probable liquidated damages of $3 million and $51 million as reductions in transaction prices related to such exposure as of December 31, 2024 and 2023, respectively. Where we have not made a reduction in transaction prices, we believe we will be successful in obtaining schedule extensions or other customer-agreed changes that should resolve the potential for the liquidated damages. However, we may not achieve relief on some or all the issues involved and, as a result, could be subject to liquidated damages in the future. In such events, our financial condition or results of operations could be materially impacted.

NOTE 5—PROJECT CHANGES IN ESTIMATES

Our continuing operations RPOs for each of our operating groups generally consist of several hundred contracts, and our results may be impacted by changes in estimated margins.

Year ended December 31, 2024

Segment operating results for the year ended December 31, 2024 were impacted by net unfavorable changes in estimates of (1) $135 million, in our Low Carbon Solutions segment, primarily resulting from the third quarter of 2024 adjustments recorded for the legal matters discussed in Note 18, *Commitments and Contingencies,* and cost increases on an onshore oil field development project in the Republic of Uganda in the second quarter of 2024; and (2) $189 million in our Offshore Middle East segment, primarily resulting from deteriorations on two EPCI projects in Saudi Arabia. These changes were partially offset by net improvements of $12 million in our Subsea and Floating Facilities segment.

Year ended December 31, 2023

Segment operating results for the year ended December 31, 2023 were impacted by net unfavorable changes in estimates of (1) approximately $145 million, in our Low Carbon Solutions segment, primarily resulting from Baystar projects, discussed in Note 18, *Commitments and Contingencies*, and an onshore oil field development project in the Republic of Uganda; (2) net unfavorable changes in estimates of approximately $57 million in our Offshore Middle East segment, primarily on an EPCI project in Qatar, and an EPCI project in Saudi Arabia, associated with increased subcontractor costs and productivity issues resulting from schedule changes; and (3) approximately $8 million on several projects in our Subsea and Floating Facilities segment.

NOTE 6—ACCOUNTS RECEIVABLE—TRADE, NET

The trade receivable balances included the following:

	December 31, 2024	December 31, 2023
	(In millions)	
Contract receivables	$ 497	$ 494
Retainages [1]	105	72
Less allowances	(19)	(19)
Accounts receivable—trade, net	$ 583	$ 547

[1] Retainages classified within Accounts receivable—trade, net are amounts anticipated to be collected within one year and as to which we have an unconditional right to collect from the customer, subject only to the passage of time. Retainages anticipated to be collected beyond one year are classified as Accounts receivable—long-term retainages on our Balance Sheets and totaled $230 million as of December 31, 2024, of which $142 million and $88 million are expected to be collected in 2026 and thereafter, respectively.

NOTE 7—INTANGIBLE ASSETS

The components of intangible assets, for our continuing operations, were as follows:

	Weighted Average Useful Life	December 31, 2024			December 31, 2023		
		Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(In years)		(In millions)			(In millions)	
Process technologies	8	$ 150	$ (84)	$ 66	$ 150	$ (65)	$ 85
Trade names	10	381	(172)	209	381	(134)	247
		$ 531	$ (256)	$ 275	$ 531	$ (199)	$ 332

Amortization expense of intangible assets is anticipated to be $57 million for each of the years ending December 31, 2025, 2026 and 2027, $47 million for the year ending December 31, 2028 and $38 million for the year ending December 31, 2029.

NOTE 8—JOINT VENTURE AND CONSORTIUM ARRANGEMENTS

We account for our unconsolidated joint ventures and consortiums using either proportionate consolidation, when we meet the applicable accounting criteria to do so, or the equity method. Further, we consolidate any joint venture or consortium that is determined to be a VIE for which we are the primary beneficiary or which we otherwise effectively control.

Proportionately Consolidated Consortiums

The following is a summary description of our significant ongoing consortium that has been deemed to be VIEs where we are not the primary beneficiary and are accounted for using proportionate consolidation.

CCS JV s.c.a.r.l.—We have a joint venture with Saipem and Chiyoda (McDermott–25%/Saipem–74.999%/Chiyoda–0.001%) for the turnkey construction of two LNG liquefaction trains and the relevant supporting structures to be built in the Republic of Mozambique. On April 28, 2021, following an escalating security situation in the Cabo Delgado Province in Mozambique, the customer withdrew all Mozambique personnel from the project site and suspended all progressible activities for the project. In the second quarter of 2024 the customer approved a limited notice to proceed. While this limited notice to proceed continues through the first quarter of 2025, the project has not yet fully restarted. McDermott continues to work with the customer, our partners in CCS JV, and our subcontractors and vendors to evaluate the project schedule and potential impacts of the suspension and related events, including evaluation and agreement of the total costs associated with the suspension, restart and resumption of the project, which continue to be reimbursable. During the year ended December 31, 2024 and 2023, we recognized approximately $149 million and $67 million, respectively, in revenues related to the suspension. As of December 31, 2024, this project was approximately 40% complete. The percentage of completion could change based upon any revisions to the total project cost once the project fully resumes. As of December 31, 2024, the RPOs associated with the project were approximately $1.6 billion.

The following table presents summarized balance sheet information for our share of our proportionately consolidated consortiums:

	December 31, 2024	December 31, 2023
	(In millions)	
Current assets	$ 154	$ 114
Non-current assets	1	1
Total assets	$ 155	$ 115
Current liabilities	$ 155	$ 139

Our consortium arrangements may allow for excess working capital of the consortium to be advanced to the consortium participants. Such advances are returned to the ventures for working capital needs as necessary. As of December 31, 2024 and December 31, 2023 our proportionate share of advances from the consortiums to the other consortium participants was not material.

Proportionately Consolidated Collaborative Arrangement

The following is a summary description of our significant consortium that has been deemed a collaborative arrangement, in which we are not the primary beneficiary, and we record our share of the consortium's revenues, costs and profits.

McDermott/Chiyoda—We previously had a consortium with Zachry and Chiyoda to perform EPC work for a natural gas liquefaction facility in Sabine Pass, Texas. The three parties shared equal voting interests in the consortium, however, the consortium agreement divided the work into separate portions that were to be performed: jointly by the parties as partners, and by each party individually. While the members of the consortium shared joint and several liability toward Golden Pass Products LLC (the "customer"), the consortium agreement protected McDermott from exposure to increases in overall project costs arising in other parties' scopes of work. McDermott's exposure to significant increases in the overall cost of the project was thus less than in a traditional joint venture.

On May 8, 2024, the customer issued a notice of the consortium's default and breach under the EPC Contract. The notice of default relied upon events of default and breaches specific to Zachry, not Chiyoda or McDermott. Within hours, McDermott and Chiyoda jointly issued a letter of default to Zachry under the consortium agreement based on Zachry's events of default under the EPC Contract as specifically described in the customer notice. On May 21, 2024, Zachry Holdings, Inc., and certain of its subsidiaries, including the Zachry entity involved in this project, filed for Chapter 11 bankruptcy protection. After extensive negotiations, on August 12, 2024, the bankruptcy court approved an omnibus settlement between all parties (customer, McDermott, Zachry, and Chiyoda) related to the project. The bankruptcy settlement between the parties provided for broad, mutual releases among all parties – customer, Zachry, Chiyoda, and McDermott – and approved terms of Zachry's exit from the project and existing consortium. As part of the court-approved agreement, the customer released Chiyoda and McDermott and its subsidiaries from any and all claims and causes of action related to the project, the EPC Contract and the consortium, except for claims based on work performed or services provided by McDermott or Chiyoda, including any warranty claims, in connection with McDermott or Chiyoda's own work.

On November 21, 2024, McDermott and Chiyoda agreed with the customer to an amended and restated EPC Contract ("Amendment No. 4") for McDermott and Chiyoda to complete Zachry's prior work scope related to LNG Train 1. McDermott and Chiyoda continue to work with customer regarding ways to minimize project delays, manage the cash flow constraints and proceed to completion on Zachry's prior work scope relating to Trains 2 and 3, to which McDermott currently has no obligations. No agreement has been reached as of the date of this report.

As of December 31, 2024, the project was approximately 84% complete.

The following table presents summarized balance sheet information for our share of both primary and subcontract consortiums, as discussed above:

	December 31, 2024	December 31, 2023
	(In millions)	
Current assets [(1)]	$ 438	$ 126
Non-current assets	56	24
Total assets	$ 494	$ 150
Current liabilities	$ 286	$ 137
Non-current liabilities	39	9
Total liabilities	$ 325	$ 146

(1) Includes approximately $3 million and $3 million of cash and cash equivalents as of December 31, 2024 and 2023, respectively.

Equity Method Joint Ventures

The following is a summary description of our significant joint ventures accounted for using the equity method:

- *McDermott/CTCI* (within our Low Carbon Solutions segment)—We have a 50%/50% joint venture with CTCI to perform EPC work for a liquids ethylene cracker and associated units in Sohar, Oman. We have determined the joint venture to be a VIE; however, we are not the primary beneficiary and therefore do not consolidate it. Our joint venture arrangement allows for excess working capital of the joint venture to be advanced to the joint venture participants. Such advances are returned to the joint venture for working capital needs as necessary. As of December 31, 2024 and December 31, 2023, Accrued liabilities on the Balance Sheets included $65.5 million related to advances from this joint venture.
- *io consulting* (within our Corporate segment)—We co-own several 50%/50% joint venture entities with Baker Hughes. io consulting is a project architect and systems integrator, focused on the early front-end phases of projects in the hydrocarbons and energy transition sectors, bringing specific techno-economic expertise integrated with the access to technology and execution know-how of their parent organizations. This joint venture was not a VIE as of December 31, 2024.
- *Qingdao McDermott Wuchuan Offshore Engineering Company Ltd*. (within our Corporate segment)—We have a 50%/50% joint venture with Wuhan Wuchuan Investment Holding Co., Ltd., a leading shipbuilder in China. This joint venture provides project management, procurement, engineering, fabrication, construction and pre-commissioning of onshore and offshore oil and gas structures, including onshore modules, topsides, floating production storage, off-loading modules, subsea structures and manifolds. This joint venture was not a VIE as of December 31, 2024.

- *Qatar Fabrication Company* (within our Offshore Middle East segment)—We have a joint venture with Qatar Gas Transport Company, Ltd. (Nakilat) (McDermott–40%/Nakilat–60%) to manage fabrication, construction and assembly of onshore and offshore structures for greenfield and brownfield oil and gas projects. We have determined the joint venture to be a VIE; however, we are not the primary beneficiary and therefore do not consolidate it.
- *McDermott/SBM* (within our Low Carbon Solutions segment)—We have a joint venture with SBM Holding Inc. S.A. (“SBM”) (McDermott–30%/SBM–70%) to perform the EPCI work for a floating production, storage, and offloading vessel for the Yellowtail development project in Guyana. We have determined the joint venture to be a VIE; however, we are not the primary beneficiary and therefore do not consolidate it.

On June 28, 2024, we entered into an agreement to sell our 10% common equity ownership in Lummus Technology Holdings I, LLC for approximately $23 million. As a result of the sale, our rights under the one-time option to purchase a pro rata portion of common equity and preferred equity (the “Additional Option”) in the joint venture terminated. In connection with this agreement, during the second quarter of 2024, we derecognized our 10% common equity ownership, which was insignificant, and the $22 million carrying value of the Additional Option, and recognized approximately a $2 million net gain on the disposal in our Statement of Operations for the year ended December 31, 2024.

Consolidated Joint Ventures

The following is a summary description of our joint venture that we consolidate due to its designation as a VIE for which we are the primary beneficiary.

McDermott/Kentz—We have a consolidated joint venture with Kentz Engineers & Constructors, a unit of SNC-Lavalin Group (“Kentz”) (McDermott–65%/Kentz–35%), established to perform work on the Gorgon LNG project, located on Barrow Island, Australia. The project is complete. The joint venture remains in operation to complete various post-project activities, including the legal matter discussed under “Chevron Arbitration” in Note 18, *Commitments and Contingencies*.

The following table presents summarized balance sheet information for our consolidated joint ventures and VIEs, including other consolidated joint ventures that are not individually material to our financial results:

	December 31, 2024	December 31, 2023
	(In millions)	
Current assets	$ 7	$ 10
Current liabilities	$ 63	$ 44

Other—The use of joint ventures and consortiums exposes us to a number of risks, including the risk that the third-party joint venture or consortium participants may be unable or unwilling to provide their share of capital investment to fund the operations of the joint venture or consortium or complete their obligations to us, the joint venture or consortium, or ultimately, our customer. Differences in opinions or views among joint venture or consortium participants could also result in delayed decision-making or failure to agree on material issues, which could adversely affect the business and operations of a joint venture or consortium. In addition, agreement terms may subject us to joint and several liability for the third-party participants in our joint ventures or consortiums, and the failure of any of those third parties to perform their obligations could impose additional performance and financial obligations on us. These factors could result in unanticipated costs to complete the projects, liquidated damages or contract disputes.

NOTE 9–SUPPLEMENTAL BALANCE SHEET DETAILS

The reconciliation of cash, cash equivalents and restricted cash reported within the Balance Sheets to the Statements of Cash Flows was as follows:

	December 31, 2024	December 31, 2023
	(In millions)	
Cash and cash equivalents	$ 757	$ 663
Restricted cash and cash equivalents [1]	101	69
Cash, cash equivalents and restricted cash - discontinued operations	-	86
Total cash, cash equivalents and restricted cash reported in the Statements of Cash Flows	$ 858	$ 818

(1) Restricted cash as of December 31, 2024, was primarily associated with $43 million of cash collateral for letters of credit under the Senior LC Exit Facility, $30 million placed into an escrow account under the agreement with certain Senior LC Exit Facility participants, and $28 million of cash collateral under the uncommitted bilateral credit facilities, discussed in Note 10, *Debt*. Restricted cash as of December 31, 2023, was primarily associated with $39 million placed in an escrow account in lieu of project related letter of credit, and $30 million held as cash collateral under the uncommitted bilateral credit facilities, discussed in Note 10, *Debt.*

The components of property, plant and equipment, accrued and other non-current liabilities were as follows:

	December 31, 2024	December 31, 2023
	(In millions)	
Property, plant and equipment		
Marine vessels	$ 821	$ 811
Construction and other equipment	119	113
Assets under construction	104	70
Buildings	49	41
Land	9	9
Finance lease right-of-use assets	23	11
Other	122	120
Total property, plant and equipment	1,247	1,175
Accumulated depreciation [1]	(265)	(210)
Property, plant and equipment, net	$ 982	$ 965
Accrued liabilities		
Accrued contract costs	$ 961	$ 982
Advances from equity method and proportionally consolidated joint ventures and consortiums [2]	116	82
Income taxes payable	112	84
Other accrued non-income taxes	47	52
Finance lease obligations	7	3
Other accrued liabilities [3]	337	312
Accrued liabilities	$ 1,580	$ 1,515
Other non-current liabilities		
Pension, post-retirement medical and other employee benefit obligations	$ 242	$ 251
Self-insurance reserve	32	42
Income tax reserves	68	77
Long-term finance lease obligations	8	4
Other	73	49
Other non-current liabilities	$ 423	$ 423

(1) Our depreciation expense was approximately $61 million and $66 million in 2024 and 2023, respectively.

(2) Represents advances from our joint ventures and consortiums in which we participate. See Note 8, *Joint Venture and Consortium Arrangements*, for further discussion.

(3) Includes various accruals individually less than 5% of total current liabilities.

NOTE 10—DEBT

The carrying values of our debt obligations were as follows:

	December 31, 2024	December 31, 2023
	(In millions)	
Current debt		
Amazon financing facility		
Financing facility	$ 22	$ 22
Facility issuance costs	(2)	(2)
Total current debt	$ 20	$ 20
Long-term debt		
LC Term Loans	$ 20	$ -
Exit Facilities		
Term Loan Exit Facility	622	525
Term Loan Exit Facility - renewal costs	(18)	-
Make-Whole Exit Facility	44	44
Amazon financing facility		
Financing facility	170	191
Facility issuance costs	(13)	(15)
Total long-term debt	$ 825	$ 745

Credit Agreements

On June 30, 2020, we entered into a credit agreement (the "Exit Credit Agreement") with a syndicate of lenders and letter of credit issuers and also amended the 2018 Roll-Off Facility (as defined in the Exit Credit Agreement) and the Sidecar Roll-Off Facility (as defined in the Exit Credit Agreement) (the Exit Credit Agreement, the 2018 Roll-Off Facility and the Sidecar Roll-Off Facility, collectively the "Emergence Credit Agreements").

The Emergence Credit Agreements initially provided for credit facilities consisting of (1) a super senior exit facility comprised of a letter of credit facility in an amount of $743 million (the "Super Senior LC Exit Facility"); (2) a super senior term loan facility in an initial principal amount of approximately $44 million (the "Make-Whole Exit Facility"); (3) a senior secured letter of credit exit facility in an amount up to $1.176 billion for new letters of credit (the "Senior LC Exit Facility"); (4) senior secured letter of credit exit facilities reflecting existing letters of credit issued under the 2018 Roll-Off Facility and the Sidecar Roll-Off Facility; (5) a senior secured term loan facility in an initial principal amount of $500 million of take-back debt (the "Term Loan Exit Facility"); and (6) a cash secured letter of credit exit facility in an amount up to $371 million (the "Cash Secured LC Facility" and, together with the Super Senior LC Exit Facility and the Senior LC Exit Facility, the "LC Exit Facilities"); (the credit facilities described in clauses (1) through (6) above, the "Exit Facilities"). Each of the 2018 Roll-Off LC Exit Facility and Sidecar Roll-Off Facility has terminated and all the letter of credit commitments thereunder cease to exist. The Cash Secured LC Facility was terminated on December 31, 2020 concurrently with the establishment of the Escrow LC Facility (as defined below).

On December 31, 2020, we entered into a letter of credit agreement (the "Escrow LC Credit Agreement") with certain participants and issuers of letters of credit. The Escrow LC Credit Agreement initially provided for a letter of credit facility (the "Escrow LC Facility") for the issuance of up to $371 million face amount of letters of credit which was cash collateralized by the participants for the benefit of the letter of credit issuers under the Escrow LC Facility. We incurred approximately $32 million in fees in connection with the Escrow LC Facility, which were capitalized as issuance costs and are amortized into interest expense over the amended term of the facility. As of December 31, 2021, approximately $390 million was deposited by the participants under the Escrow LC Facility into a segregated escrow account as cash collateral for the benefit of the letter of credit issuers under the Escrow LC Facility. Concurrent with entering into the Escrow LC Credit Agreement, we amended the Emergence Credit Agreements to accommodate the Escrow LC Facility and document other matters. In connection with the Tanks Transactions (defined and described below), on September 8, 2023, the letter of credit commitments under the Escrow LC Facility were reduced from $371 million to approximately $304 million and the cash deposited by the participants in the segregated escrow account was reduced from approximately $390 million to approximately $319 million. We do not reflect the amount in the escrow account as an asset in our financial statements.

On September 8, 2023, (i) the Company completed a structural reorganization and ringfencing of certain subsidiaries conducting storage solutions business ("Tanks Subsidiaries", "CB&I" or "CB&I segment") which were designated as unrestricted subsidiaries under the Exit Facilities and Escrow LC Facility and released from their obligations as guarantors thereunder and (ii) the Tanks Subsidiaries entered into the Tanks Term Loan Facility (as defined below), Tanks Senior LC Facility (as defined below) and Tanks Escrow LC Facility (as defined below) (such transactions, the "Tanks Transactions"). On September 8, 2023, we entered into an amendment to the Exit Credit Agreement and Escrow LC Credit Agreement with certain lenders, pursuant to which, amongst other changes, (1) the designation of the Tanks Subsidiaries as "unrestricted subsidiaries" and the Tanks Transactions were permitted and (2) the minimum liquidity threshold was lowered as described below.

Each letter of credit issued under the Super Senior LC Exit Facility accrues a participation fee at a rate equal to 4.75% per annum of the face amount; and each letter of credit issued under the Senior LC Exit Facility accrues a participation fee at a rate equal to 3.50% per annum of the face amount of such letter of credit. Each letter of credit issued under the Super Senior LC Exit Facility and Senior LC Exit Facility also accrues a fronting fee equal to 0.70% per annum of the daily maximum amount available to be drawn under such letter of credit. An unused commitment fee will also be payable to the lenders under the Super Senior LC Exit Facility and the Senior LC Exit Facility in an amount equal to 0.50% per annum of the amount of its unused commitments thereunder. Each letter of credit issued under the Escrow LC Facility accrues a fronting fee of 1.50% per annum.

The indebtedness and other obligations under the Exit Facilities and Escrow LC Facility are unconditionally guaranteed by MIL and substantially all of its direct and indirect wholly owned subsidiaries or affiliates, other than several captive insurance subsidiaries and certain other designated unrestricted subsidiaries or immaterial subsidiaries.

On September 8, 2023, we executed the Transaction Support Agreement with certain lenders, which contemplated to execute an amendment and extension pursuant to a parallel UK and Dutch restructuring process. A condition precedent to the amend and extend transactions being effectuated was court approval in the English Proceeding, Dutch Proceedings, and Chapter 15 Proceeding. On March 25, 2024, the Amend and Extend Closing Date, we entered into an amendment to the credit agreements and the pledge security agreement (the "A&E Amendment") with the lenders, issuers and agents to the Exit Credit Agreement and the Escrow LC Credit Agreement, which amended the Exit Credit Agreement, the Escrow LC Credit Agreement and the pledge and security agreement, pursuant to which the maturity dates of the Super Senior LC Exit Facility, Senior LC Exit Facility, Make-Whole Exit Facility, Escrow LC Facility were extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility was extended to December 31, 2027. The principal amount of the Term Loan Exit Facility was increased from $557 million (the initial principal of $500 million plus PIK interest of $57 million) to $626 million on the Amend and Extend Closing Date to account for the $69 million consent fees payable to the consenting lenders in the form of take-back term loans. Interest on the Term Loan Exit Facility is based on McDermott's election to (1) pay in cash an amount of interest expense equal to the adjusted Term SOFR plus a margin of 1.00% per year, and (2) accrue PIK interest in an amount equal to 3.00% per year added to the unpaid principal balance of the Term Loan Exit Facility. Interest on the Make-Whole Exit Facility is based on our advanced election of either (1) the adjusted Term SOFR plus a margin of 3.00% per year or (2) the base rate (the highest of the prime rate, 0.50% per annum plus the Federal Funds Rate or 1% per annum plus the adjusted Term SOFR for an interest period of one month) plus a margin of 2.00%.

On March 28, 2024, the $95 million standby letter of credit previously issued to Reficar under the Senior Exit LC Facility was drawn and was classified as a borrowing of term loans ("LC Term Loans") that are *pari passu* in the waterfall with the Super Senior LC Exit Facility and an equal amount of the Senior LC Exit Facility commitments was automatically terminated. LC Term Loans accrue PIK interest at a rate of SOFR plus 7.50% per annum and have a maturity date of June 30, 2027. In connection with the consummation of the Tanks Sale, as required under the Exit Credit Agreement, on December 5, 2024, we repaid approximately $84 million of the LC Term Loans balance and cash collateralized $43 million of letters of credit under the Senior LC Exit Facility.

As of December 31, 2024 and 2023, the total amount of letters of credit capacity under the Super Senior LC Exit Facility, the Senior LC Exit Facility and the Escrow LC Facility was $1.8 billion and $2.1 billion, respectively. The combined capacity under these three facilities will be further reduced by $150 million on both March 31, 2025 and December 31, 2025, by $100 million on September 30, 2026 and by $50 million by March 31, 2027.

On the Amend and Extend Closing Date, we also entered into an escrow agreement with certain Senior LC Exit Facility participants, pursuant to which the Company deposited $30 million (recognized within "Restricted cash and cash equivalents" on our Balance Sheet as of December 31, 2024). It is expected that the escrow accounts will eventually hold $32.5 million in escrow. Those certain Senior LC Exit Facility participants shall be allowed to withdraw from the escrow account an amount equal to their pro rata participations for the principal of any unreimbursed Senior LC Exit Facility draw, in accordance with the terms of the Escrow Agreement. A failure of the Company to deposit cash to the escrow accounts shall not constitute any default under the Exit Credit Agreement or Escrow LC Credit Agreement.

Pursuant to the amended credit agreements, we were required to comply with the following financial covenants as of December 31, 2024:

- Liquidity—maintain minimum liquidity at the levels and during the time periods that follow, to be tested monthly for the first 18 months after Amend and Extend Closing Date and to be tested quarterly thereafter: (i) $100 million at the end of each month from March 2024 through August 2024; (ii) $125 million at the end of each month from September 2024 through February 2025; (iii) $175 million beginning at the end of each month from March 2025 through September 2025; (iv) $200 million at the end of each fiscal quarter starting December 2025.
- Fixed Charge Coverage Ratio—if, as of the last day of any fiscal quarter, the certain permitted debt exceeds $500 million and liquidity is less than $450 million then, as of such date, the fixed charge coverage ratio for the four fiscal quarter period then ended could not or cannot, as applicable, be less than (1) 1.50:1.00 for any four fiscal quarter period ending on or before December 31, 2024 and (2) 1.60:1.00 for any four fiscal quarter period ending on or after March 31, 2025. Testing of the Fixed Charge Coverage Ratio covenant has not been triggered as of December 31, 2024.

We were in compliance with the financial covenant requirements as of December 31, 2024.

On March 21, 2025, we entered into an amendment to the credit agreements to reduce our minimum liquidity covenant as follows: (i) $125 million at the end of each month from March 2025 through November 2025; (ii) $150 million at the end of each month from December 2025 through February 2026; (iii) $200 million beginning at the end of each month from March 2026.

In connection with the amendment and extension of our financing facilities, as of December 31, 2024, we (1) capitalized within "Other non-current assets" issuance costs of approximately $90 million, which are amortized into interest expense over the term of the amended and extended facilities starting on the Amend and Extend Closing Date; (2) capitalized as renewal issuance costs approximately $18 million within "Long-term debt", which are amortized into interest expense over the amended term of the Term Loan Exit Facility, and (3) expensed approximately $10 million in fees within "Transaction costs" in our consolidated Statement of Operations for the year ended December 31, 2024.

Tanks Credit Facilities

On September 8, 2023, before the Tanks Sale, the Tanks Subsidiaries, also known as CB&I storage solutions segment, were designated as "unrestricted subsidiaries" under the Exit Credit Agreement and Escrow LC Credit Agreement and were released as guarantors thereunder. In connection with such designation and release, on September 8, 2023, the Tanks Subsidiaries entered into (i) a credit agreement (the "Tanks Senior Credit Agreement") providing for a letter of credit facility in an amount of approximately $161.45 million (increased to $253.6 million on the Amend and Extend Closing Date) (the "Tanks Senior LC Facility") and a $250 million term loan (the "Tanks Term Loan Facility") and (ii) an escrow letter of credit agreement (the "Tanks Escrow Credit Agreement"; and together with Tanks Senior Credit Agreement, the "Tanks Credit Agreements") providing for a letter of credit facility (the "Tanks Escrow LC Facility"; and together with Tanks Senior LC Facility and Tanks Term Loan Facility, the "Tanks Credit Facilities") for the issuance of up to approximately $66.39 million face amount of letters of credit which has been cash collateralized by the participants deposited into a segregated escrow account in an amount equal to approximately $69.7 million for the benefit of the letter of credit issuers under the Tanks Escrow LC Facility. We did not reflect the amount in the escrow account as an asset in our financial statements. We incurred and paid approximately $11 million in fees in connection with the Tanks Credit Facilities (reflected in the financing activities in the Statement of Cash Flows), which were capitalized as issuance costs and are amortized into interest expense. Concurrent with entering into the Escrow LC Credit Agreement, we amended the Exit Credit Agreement and Escrow LC Facility to accommodate the Tanks Credit Agreements and document other matters. The Tanks Credit Facilities had a separate borrower, guarantor group and collateral from the borrower, guarantor group and collateral under the Exit Credit Agreement and Escrow LC Facility. In connection with the consummation of the Tanks Sale, the Tanks Term Loan Facility was paid in full (approximately $330 million) and Tanks Credit Agreements were terminated on December 5, 2024, and the security and guarantees in connection therewith were released.

Amazon Financing Facility

On December 31, 2020, we were a party to the amended bareboat charter arrangements for the *Amazon*, a pipelay and construction vessel, purchased by us in February 2017 and then sold to an unrelated third party (the "Amazon Owner") and leased back under a long-term bareboat charter (the "Charter") giving us the right to use the vessel. This arrangement was accounted for a finance lease of $56 million. Previously, we entered into agreements providing for certain modifications to the *Amazon* vessel and related financing and amended bareboat charter arrangements. The Amazon Owner was expected to fund the cost of the modifications of the *Amazon* primarily through an export credit agency ("ECA")-backed senior loan that was provided to it by a group of lenders, supplemented by our expected direct capital expenditures. On October 1, 2020, the Amazon Owner delivered a put option notice requiring us under the Charter to acquire the *Amazon* for approximately $83 million by November 17, 2020. On December 22, 2020, we entered into a Memorandum of Agreement with the Amazon Owner to instead purchase the *Amazon* for $55 million in cash plus refinancing approximately $19.5 million of amounts associated with the Amazon Owner's current financing into the new Amazon Financing (as described below).

On February 19, 2021, we entered into a $285 million ECA-Backed Term Facilities Agreement with McDermott (Amazon Chartering), Inc. as borrower (the "Amazon Borrower"), MIL as parent guarantor and ABN AMRO Bank N.V. as agent (as amended, modified or otherwise supplemented from time to time, the "Amazon Financing") with a maturity date of December 31, 2033. The Amazon Financing has an interest rate of adjusted Term SOFR plus 1.70% per annum, with principal payments due quarterly in equal installments of approximately $5.4 million. Borrowings under the Amazon Financing are irrevocably and unconditionally guaranteed by MIL and are secured by, among others, a pledge of all the equity of the Amazon Borrower, a mortgage on the *Amazon,* and a lien on substantially all the other assets of the Amazon Borrower. The use of proceeds of the Amazon Financing included funding of the upgrade of the *Amazon*, refinancing the Amazon Owner's current financing, settling a portion of obligations associated with previous McDermott guarantees to the Amazon Owner for two separate interest rate swaps associated with the *Amazon*, and paying insurance premiums to the ECA to provide insurance coverage to the lenders. As of December 31, 2024, approximately $192 million was outstanding under the Amazon Financing.

Amazon facility issuance costs were approximately $26 million and primarily related to the ECA premiums, and are amortized into interest expense over a period of 12 years.

Uncommitted Facilities

We are party to a number of short-term uncommitted bilateral credit facilities and surety bond arrangements (the "Uncommitted Facilities") across several geographic regions. As of December 31, 2024, capacity under the Uncommitted Facilities was approximately $1.7 billion. The financial institutions that provide the Uncommitted Facilities have no obligation to issue letters of credit or bank guarantees, or to post surety bonds, on our behalf, and they may be able to demand that we provide them with cash or other collateral to backstop these liabilities. As of December 31, 2024, we held approximately $28 million as cash collateral, under the Uncommitted Facilities, reflected within "Restricted cash and cash equivalents" in our Balance Sheet.

NOTE 11—LEASES

Our operating leases primarily consist of leases for administrative offices, fabrication yards and equipment. Our finance leases are related to leased equipment, where we have an option to acquire the assets at the end of the lease term.

Leases	Balance Sheet classification	December 31, 2024	December 31, 2023
		(In millions)	
Assets			
Operating leases	Operating lease right-of-use assets	$ 229	$ 173
Finance leases	Property, plant and equipment, net	23	11
	Total leased assets	**$ 252**	**$ 184**
Current liabilities			
Operating leases	Current portion of long-term lease obligations	91	59
Finance leases	Accrued liabilities	7	3
		98	**62**
Non-current liabilities			
Operating leases	Long-term operating lease obligations	164	163
Finance leases	Other non-current liabilities	8	4
		172	**167**
	Total lease liabilities	**$ 270**	**$ 229**

Our lease cost for operating and finance leases was as follows:

	Year ended December 31,	
	2024	2023
Statement of Operations classification	(In millions)	
Cost of operations	$ 88	$ 58
Selling, general and administrative expenses	18	24
Net lease cost [(1)]	**$ 106**	**$ 82**

(1) Includes short-term leases and immaterial variable lease costs.

On March 4, 2022, we executed an agreement with a third party to lease a portion of our corporate headquarters in Houston, Texas. The agreement represents a sublease as we maintain the primary obligation under the original lease, which is classified as an operating lease, and will terminate in May 2036. In addition, on April 3, 2024, we executed another agreement to sublease additional floors of our corporate headquarters to a third party and executed an amendment to the original lease to transfer the primary lease obligation to the sublessee starting in June 2026. During both 2024 and 2023, we recognized approximately $7 million of sublease income in selling, general and administrative expenses in our Statements of Operations.

The weighted-average remaining lease terms on our operating and finance leases as of December 31, 2024 were approximately 6.5 years and 2 years, respectively. The weighted-average discount rates used to determine the operating and finance lease liabilities as of December 31, 2024 were approximately 20% and 13.5%, respectively.

Future minimum lease payments for our operating and finance leases as of December 31, 2024 were as follows:

	Operating leases	Finance leases
	(In millions)	
2025	$ 106	$ 8
2026	77	6
2027	37	4
2028	31	-
2029	30	-
After 2029	132	-
Total lease payments	413	18
Less: Interest	(158)	(3)
Present value of lease liabilities	$ 255	$ 15

Supplemental information for our operating and finance leases was as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 89	$ 61
Financing cash flows from finance leases	4	2
Non-cash information on lease liabilities arising from obtaining right-of-use assets		
Right-of-use assets obtained in exchange for new operating lease liabilities	112	13
Right-of-use assets obtained in exchange for new finance lease liabilities	13	7

NOTE 12—PENSION AND POSTRETIREMENT BENEFITS

Defined Contribution Plans

We sponsor multiple defined contribution plans for eligible employees with various features, including voluntary employee pre-tax and Roth-based contributions. Expense associated with these plans was approximately $21 million (including a $10 million one-time voluntary contribution) and $9 million during the years ended December 31, 2024 and 2023, respectively.

In addition, we also provide benefits under our Director and Executive Deferred Compensation Plan, which is a non-qualified defined contribution plan, and sponsor multiple defined contribution plans that cover eligible employees for which we do not provide contributions. The cost of these plans is not significant.

Defined Benefit Pension and Other Postretirement Plans

We sponsor various defined benefit pension plans covering eligible employees and provide specific postretirement benefits for eligible retired employees and their dependents through health care and life insurance benefit programs. These plans may be changed or terminated by us at any time.

Components of Net Periodic Benefit Cost

The following table provides a breakdown of the components of net periodic pension income and cost associated with our defined benefit and post-retirement pension plans:

	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)	
U.S. pension plans:		
Interest cost	$ 1	$ 4
Expected return on plan assets	-	(5)
Settlement gain [(1)]	-	(11)
Actuarial mark to market gain [(2)]	(1)	-
Net periodic benefit (income)	$ -	$ (12)
Non-U.S. pension plans:		
Interest cost	$ 19	$ 23
Expected return on plan assets	(17)	(20)
Other [(3)]	-	4
Actuarial mark to market (gain) loss [(2)]	(18)	52
Net periodic benefit (income) loss	$ (16)	$ 59
Other postretirement plans:		
Interest cost	$ 1	$ -
Actuarial mark to market gain [(2)]	(1)	-
Net periodic benefit (income)	$ -	$ -

(1) In December 2021, we resolved to terminate our defined benefit pension plan in the United States effective April 30, 2022. This transaction was closed on February 7, 2023. During the year ended December 31, 2023, we recognized approximately $11 million of settlement gain associated with the U.S. plan termination.

(2) Actuarial mark to market gain for the year ended December 31, 2024 was $20 million and primarily associated with gains in the Netherlands and the United Kingdom plans, $17 million and $1 million, respectively. Actuarial mark to market loss for the year ended December 31, 2023 was $52 million and was primarily associated with losses in the Netherlands and the United Kingdom plans, $24 million and $28 million, respectively.

(3) During the third quarter of 2023, Trustees of the United Kingdom plan entered into a bulk annuity policy purchase. As a result of this transaction, we recorded a reduction of the plan's surplus and recognized an asset loss of $4 million.

The components of periodic benefit cost (income) are primarily recognized within "Other non-operating expense (income), net" line in our Statements of Operations.

Amounts Recognized in Balance Sheet

The net amounts of current and non-current assets and liabilities for our defined benefit plans recognized on Consolidated Balance Sheets were as follows:

	U.S. pension plans		Non-U.S. pension plans	
	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)		(In millions)	
Amounts recognized in balance sheet consist of:				
Prepaid benefit cost within Other non-current assets	$ -	$ -	$ 8	$ 4
Accrued benefit cost within accrued liabilities	(1)	(1)	-	-
Accrued benefit cost within Other non-current liabilities	(7)	(8)	(110)	(136)
Net (unfunded) status recognized	$ (8)	$ (9)	$ (102)	$ (132)

Our postretirement plans were in underfunded position as of December 31, 2024 and 2023 and were $12 million and $13 million, respectively, primarily included within Other non-current liabilities.

Change in Projected Benefit Obligation and Plan Assets

The funded status of the defined benefit plans was as follows:

	U.S. pension plans		Non-U.S. pension plans	
	2024	2023	2024	2023
	(In millions)		(In millions)	
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 9	$ 347	$ 608	$ 531
Interest cost	1	4	19	23
Actuarial loss (gain)	(1)	-	(39)	60
Benefits paid	(1)	(1)	(33)	(31)
Settlements and curtailments	-	(341)	-	-
Prior service costs	-	-	-	2
Currency translation	-	-	(26)	23
Projected benefit obligation at end of year	8	9	529	608
Change in plan assets:				
Fair value of plan assets at beginning of year	$ -	$ 365	$ 476	$ 458
Actual return (loss) on plan assets	-	-	(2)	24
Company contributions	1	1	5	7
Benefits paid	(1)	(1)	(33)	(31)
Settlements and curtailments	-	(365)	-	-
Currency translation	-	-	(19)	18
Fair value of plan assets at end of year	-	-	427	476
Net funded (unfunded) status	$ (8)	$ (9)	$ (102)	$ (132)

Accumulated Benefit Obligations—As of December 31, 2024 and 2023, the accumulated benefit obligation for all defined benefit pension plans, for the continuing operations, was $537 million and $617 million, respectively. The following table includes summary information for those defined benefit plans with an accumulated benefit obligation in excess of plan assets:

	U.S. pension plans		Non-U.S. pension plans	
	Year ended December 31, 2024	Year ended December 31, 2023	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)		(In millions)	
Projected benefit obligation	$ 8	$ 10	$ 367	$ 500
Accumulated benefit obligation	8	10	367	500
Fair value of plan assets	-	-	257	365

Plan Assumptions—The following table presents the weighted-average assumptions used to measure our defined benefit pension and other postretirement plans:

	U.S. pension plans		Non-U.S. pension plans	
	2024	2023	2024	2023
Weighted average assumptions used to determine net periodic benefit obligations at December 31,				
Discount rate	5.40%	5.30%	3.77%	3.43%
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	4.95%	2.55%	3.24%	4.10%
Expected return on plan assets (1)	N/A	N/A	3.77%	4.02%

(1) The expected long-term rate of return on plan assets was derived using historical returns by asset category and expectations of future performance. As benefit accruals under the each of the plans are frozen, future pay is not projected in the determination of the benefit obligation as of December 31, 2024 and 2023.

The following table illustrates the sensitivity to changes in certain assumptions, holding all other assumptions constant, for our pension plans:

	Effect on	
	Pretax Pension Expense in 2024 [(1)]	Pension Benefit Obligation at December 31, 2024
	(in millions)	
25-basis-point change in discount rate	16	15

(1) A 25-basis-point change in the expected rate of return on plan assets would not have a material impact on pretax pension expense in 2024.

Plan Assets—Our investment strategy for defined benefit plan assets seeks to optimize the proper risk-return relationship considered appropriate for each respective plan's investment goals, using a global portfolio of various asset classes diversified by market segment, economic sector and issuer. The primary goal is to optimize the asset mix to fund future benefit obligations, while managing various risk factors and each plan's investment return objectives.

Our pension assets are categorized within the valuation hierarchy based on the lowest level of input that is significant to the fair value measurement. Assets that are valued using quoted prices are classified within level 1 of the valuation hierarchy, assets that are valued using internally developed models that use, as their basis, readily observable market parameters, are classified within level 2 of the valuation hierarchy, and assets that are valued based on models with significant unobservable market parameters are classified within level 3 of the valuation hierarchy.

The following tables present the fair values of our plan assets by investment category and valuation hierarchy level as of December 31, 2024 and 2023:

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Asset category	(In millions)			
Fixed income securities:				
U.S. fixed income securities	$ -	$ -	$ -	$ -
International government bonds [1]	-	96	-	96
International corporate bonds [2]	-	37	-	37
International mortgage funds [3]	-	33	-	33
All other fixed income securities [4]	-	21	-	21
Equity securities:				
International funds [5]	-	44	-	44
Emerging markets growth funds	-	2	-	2
U.S. equity funds	-	-	-	-
Other investments:				
Asset allocation funds [6]	-	6	-	6
Cash and accrued items	5	-	-	5
Insurance buy-in policies [7]	-	-	183	183
Total Investments	$ 5	$ 239	$ 183	$ 427

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Asset category	(In millions)			
Fixed income securities:				
U.S. fixed income securities	$ -	$ -	$ -	$ -
International government bonds [1]	-	106	-	106
International corporate bonds [2]	-	41	-	41
International mortgage funds [3]	-	36	-	36
All other fixed income securities [4]	-	23	-	23
Equity securities:				
International funds [5]	-	45	-	45
Emerging markets growth funds	-	1	-	1
U.S. equity funds	-	-	-	-
Other investments:				
Asset allocation funds [6]	-	6	-	6
Cash and accrued items	11	-		
Insurance buy-in policies [7]	-	-	207	207
Total Investments	$ 11	$ 258	$ 207	$ 476

The following provides descriptions for plan asset categories with significant balances in the tables above:

(1) Investments in predominately EU government securities and U.K. Treasury securities, with credit ratings primarily AAA.
(2) Investments in European and U.K. fixed interest securities, with credit ratings of primarily BBB and above.
(3) Investments in international mortgage funds.
(4) Investments predominantly in various international fixed income obligations that are individually insignificant.
(5) Investments in various funds that track international indices.
(6) Investments in fixed income securities, equities and alternative asset classes, including commodities and property assets.
(7) Bulk annuity policies held with U.K. insurer which provides income to the plan that matches the plan’s future projected benefit obligations to members.

Benefit Payments—The following table includes the expected defined benefit and other postretirement plan payments for the next ten years:

	U.S. pension plans	Non-U.S. pension plans	Other postretirement plans
		(in millions)	
Expected employer contributions to trusts of defined benefit plans:			
2025	$ 1	$ -	$ -
Expected benefit payments:			
2025	$ 1	$ 32	$ 2
2026	1	31	1
2027	1	32	1
2028	1	32	1
2029	1	31	1
2030-2034	3	156	5

Health Care Cost Inflation—As noted above, we provide specific postretirement health care benefits for eligible retired U.S. employees and their dependents. Eligible current retirees can elect coverage on a retiree-pay-all basis; there is no longer a company subsidy for the cost of coverage. Future retirees and new employees are not eligible for these post-retirement health care benefits. Additionally, there is a closed group of retirees for which we assume some or all of the cost of coverage. For this group, health care cost trend rates are projected at annual rates ranging from 7% in 2025, down to 5% in 2033 and after. A change in the assumed health care cost trends by one percentage point would not have a material impact on the total service and interest cost components of net postretirement health care cost for 2024 and the accumulated postretirement benefit obligation as of December 31, 2024.

Multi-Employer Pension Plans

We previously contributed to certain union sponsored multi-employer defined benefit pension plans in the United States and Canada, all resulting from the business combination in 2018. During 2024 and 2023 we contributed approximately $1.3 million and $3 million, respectively, to certain union sponsored multi-employer defined benefit pension plans, associated with our former CB&I segment (discussed in Note 3, *Discontinued Operations*).

NOTE 13—FAIR VALUE MEASUREMENTS

Fair value of financial instruments

Financial instruments are required to be categorized within a valuation hierarchy based upon the lowest level of input that is available and significant to the fair value measurement. The three levels of the valuation hierarchy are as follows:

- Level 1—inputs are based on quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based on quoted prices for similar instruments in active markets, quoted prices for similar or identical instruments in inactive markets and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
- Level 3—inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar valuation techniques.

The following table presents the fair value of our financial instruments that are (1) measured and reported at fair value in the financial statements on a recurring basis and (2) not measured at fair value on a recurring basis in the financial statements:

	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In millions)		
Measured at fair value on recurring basis					
Series B Preference Shares (Note 17)	$ (117)	$ (117)	$ -	$ -	$ (117)
Forward contracts [1]	(5)	(5)	-	(5)	-
Not measured at fair value on recurring basis					
Debt [2]	(878)	(465)	-	(259)	(206)

	December 31, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In millions)		
Measured at fair value on recurring basis					
Forward contracts [1]	$ (6)	$ (6)	$ -	$ (6)	$ -
Not measured at fair value on recurring basis					
Debt [2]	(782)	(440)	-	(222)	(218)

(1) The fair value of forward contracts is classified as Level 2 within the fair value hierarchy and is valued using observable market parameters for similar instruments traded in active markets. Where quoted prices are not available, the income approach is used to value forward contracts. This approach discounts future cash flows based on current market expectations and credit risk.

(2) The fair values of the LC Term Loans, Term Loan Exit Facility and Make-Whole Exit Facility were determined using a trading price of these instruments as of each respective date and were classified as Level 2 within the fair value hierarchy. Quoted prices were not available for the *Amazon* financing facility, therefore, the fair values of this instrument were based on the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or on estimated prices based on current yields for debt of similar quality and terms and were classified as Level 3 within the fair value hierarchy.

The carrying amounts that we have reported for our other financial instruments, including cash and cash equivalents, restricted cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the short maturity of those instruments.

Fair value of non-financial instruments

We evaluate our assets for impairment whenever events or changes in circumstances indicate that indicators of impairment exist. In those evaluations, we compare estimated future undiscounted cash flows generated by each asset (or asset group) to the carrying value of the asset (or asset group) to determine if an impairment charge is required. If the undiscounted cash flows test fails, we estimate the fair value of the asset (or asset group) to determine the impairment.

On April 3, 2024, we executed an agreement to sublease additional floors within our corporate headquarters to a third party and executed an amendment to the original lease to transfer the primary lease obligation to the sublessee starting in June 2026. In connection with the sublease commencement, we tested for the recoverability of the operating lease and associated furniture and fixtures and recognized approximately $9 million impairment associated with the subleased floors and approximately $7 million of lease termination costs, recorded within "Property, plant and equipment impairment" and "Loss on disposal of other assets and investments, net", respectively, in our Statement of Operations for the year ended December 31, 2024. In the fourth quarter of 2023, we recognized approximately a $9 million impairment charge, related to the abandoned development of a cloud computing solution and redundant software. There were no impairment indicators present for our investments in unconsolidated subsidiaries and long-lived assets.

NOTE 14—DERIVATIVE FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Derivatives—The notional value of our outstanding foreign exchange rate derivative contracts designated as cash flow hedges totaled approximately $1.4 billion as of December 31, 2024. The fair value of these contracts was in a net liability position totaling approximately $5 million. The fair value of outstanding derivative instruments is determined using observable financial market inputs, such as quoted market prices, and is classified as Level 2 in nature. As of December 31, 2024, in connection with these instruments, we deferred approximately $109 million of net losses in AOCI, and we expect to reclassify approximately $79 million of deferred losses out of AOCI by December 31, 2025, as the hedged items impact earnings. All our cash flow hedges have a one-month maturity duration, with the contractual ability to extend monthly to match the duration of the underlying hedged contract.

The fair value and balance sheet classification of the derivatives designated as cash flow hedges was as follows:

	December 31, 2024	December 31, 2023
	(In millions)	
Other current assets	$ 2	$ 1
Total derivatives asset	$ 2	$ 1
Accrued liabilities	$ 7	$ 3
Total derivatives liability	$ 7	$ 3

Under the netting arrangements with the same party, approximately $2 million and $1 million of derivative assets were offset against the derivative liabilities as of December 31, 2024 and 2023, respectively.

The fair value of derivatives not designated as cash flow hedges was immaterial of December 31, 2024 and was in a net liability position of approximately $4 million as of December 31, 2023 (primarily within "Accrued liabilities" in our Balance Sheet). The notional value of these derivatives was $115 million and $194 million as of December 31, 2024 and 2023, respectively.

The following table represents gains and losses recognized in AOCI and reclassified from AOCI to the Statements of Operations in connection with derivatives designated as cash flow hedges:

	Year ended December 31,	
	2024	2023
	(In millions)	
Amount of (loss) recognized in OCI		
Foreign exchange hedges	$ (70)	$ (39)
Gain (loss) recognized on derivatives designated as cash flow hedges		
Foreign exchange hedges		
Cost of operations	(18)	(36)
Interest rate hedges		
Interest gain	-	8
Loss recognized on derivatives not designated as cash flow hedges		
Foreign exchange hedges		
Cost of operations	(2)	-

NOTE 15—INCOME TAXES

MIL is a Bermuda corporation and is not subject to income tax in Bermuda. We operate in various taxing jurisdictions around the world. Each of these jurisdictions has a regime of taxation that varies, not only with respect to nominal rate, but also with respect to the basis on which these rates are applied. These variations, aligned with the changes in our mix of income or loss from these jurisdictions, may contribute to shifts, sometimes significant, in our effective tax rate.

The components of our income tax expense were as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)	
U.S.:		
Current	$ (2)	$ (6)
Other than U.S.:		
Current	118	102
Deferred	(19)	8
	$ 97	$ 104

The geographic sources of loss before income taxes are as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)	
U.S.	$ (283)	$ (271)
Other than U.S.	(22)	(319)
Loss before provision for income taxes	$ (305)	$ (590)

The following is a reconciliation from a Bermuda statutory federal tax rate of zero for the years ended December 31, 2024 and 2023 to the consolidated effective tax rates:

	Year ended December 31, 2024	Year ended December 31, 2023
Federal statutory rate	0%	0%
Rate differentials	(1%)	14%
Change in valuation allowance for deferred tax assets - U.S.	22%	(8%)
Change in valuation allowance for deferred tax assets - others	(7%)	(7%)
Withholding tax	(13%)	(8%)
Reficar Settlement related expenses	(7%)	(5%)
Uncertain tax position	1%	1%
Deemed profit	(4%)	(3%)
Expired foreign tax credits	(9%)	(1%)
Tax attribute write-off due to entity liquidation	(32%)	0%
Malaysia tax holiday benefit	7%	2%
Other	11%	(3%)
Effective tax rate	(32%)	(18%)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, as well as operating loss and tax credit carryforwards.

Significant components of deferred tax assets and liabilities were as follows:

	December 31, 2024	December 31, 2023
	(In millions)	
Deferred tax assets:		
U.S. Federal net operating loss carryforward and other credits	$ 335	$ 319
Non-U.S. net operating losses	377	385
State net operating loss carryforward and other credits	149	171
Debt costs and disallowed interest	193	234
Depreciation and amortization	112	85
Allowance for doubtful accounts	19	51
Contract revenue and cost/long-term contracts	44	39
Operating lease liability	49	36
Partnership investments	31	31
Pension liability	32	37
Insurance and legal reserves	6	8
Accrued liabilities for incentive compensation	15	12
Other	2	(1)
Total deferred tax assets	1,364	1,407
Valuation allowance for deferred tax assets	(1,339)	(1,400)
Deferred tax assets	25	7
Deferred tax liabilities:		
Depreciation and amortization	$ 30	41
Right of use assets	41	26
Investments in foreign subsidiaries	29	32
Other	-	5
Total deferred tax liabilities	100	104
Net deferred tax liabilities	$ (75)	$ (97)

As of December 31, 2024 and 2023, we did not provide deferred income taxes on temporary differences of our subsidiaries which are indefinitely reinvested. The amount of those temporary differences as of December 31, 2024 and 2023 is approximately $69 million and $182 million, respectively, the reversal of which would result in withholding tax of approximately $8 million and $13.4 million, respectively. The decrease of the temporary difference resulted from the exclusion of the CB&I segment that had permanently reinvested earnings. We do not foresee having to remit earnings from those entities as our cash and debt structure allows us to access funds from sources other than our United States subsidiary and its foreign subsidiaries, which can be used to fund our U.S. and non-U.S. operations and service the debt. Deferred income taxes are provided as necessary with respect to basis differences that are not indefinitely reinvested.

Valuation Allowance

At December 31, 2024, we had a VA of approximately $1.3 billion for DTAs that we expect cannot be realized through carrybacks, future reversals of existing taxable temporary differences or based on our estimate of future taxable income. After completion of the business combination in 2018, we incurred losses primarily resulting from goodwill impairment during the years ended December 31, 2020 and 2019. Additional losses incurred in 2021 to 2024 are attributable to restructuring charges and related expenses including settlement expenses on Reficar legal matter. As a result, we have a cumulative consolidated loss for the three years ended December 31, 2024 and accordingly we believe we are precluded from using projections of future book income to support our DTAs. As a result, it is unlikely that we would utilize majority of our DTAs and have recorded a full valuation allowance against those DTAs.

Changes in the valuation allowance for deferred tax assets were as follows:

	2024	2023
	(In millions)	
Balance at beginning of period	$ 1,400	$ 1,283
Charged to costs and expenses	(35)	100
Charged to other accounts	(26)	17
Balance at end of period	$ 1,339	$ 1,400

Other

As of December 31, 2024, our Non-U.S., U.S. and State NOL DTAs, VAs and expiration dates were as follows:

	NOL DTA	VA	Expiration
Non-U.S.	$ 377	$ (375)	2025 - Unlimited
U.S.	268	(268)	Unlimited
State	147	(147)	2025 - 2044

We operate under a tax holiday in Malaysia, effective through December 31, 2025. The Malaysian tax holiday reduced our foreign income tax expense by $23.9 million and $11.7 million in 2024 and 2023, respectively.

We conduct business globally and, as a result, we or our various affiliated entities file income tax returns in a number of jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Malaysia, Australia, Indonesia, Saudi Arabia, Kuwait, India, Qatar, Brunei, Mozambique, the United Kingdom, the Netherlands, Canada and the United States. With few exceptions, we are no longer subject to tax examinations for years prior to 2013.

A reconciliation of unrecognized tax benefits is as follows:

	Year ended December 31,	
	2024	2023
	(In millions)	
Balance at beginning of period	$ 54	$ 54
Increases based on tax positions taken in the current year	3	17
Decreases based on tax positions taken in prior years	(1)	(16)
Decreases due to lapse of applicable statute of limitation	(1)	(1)
Balance at end of period	$ 55	$ 54

The $55 million of the balance of unrecognized tax benefits at December 31, 2024 would reduce our effective tax rate if recognized. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. At December 31, 2024 and 2023, we had recorded liabilities of approximately $5 million and $8 million, respectively, for the payment of tax-related interest and penalties.

NOTE 16—STOCKHOLDERS' EQUITY AND EQUITY-BASED INCENTIVE PLANS

Ordinary Shares

As discussed in Note 1, *Nature of Operations and Organization*, the Reficar Resolution Agreement, among other things, provided for consideration to Reficar including $75 million in MIL Series B Preference Shares (defined and described in Note 17, *Redeemable Preference Shares*) that are convertible upon certain conditions into up to 19.9% of Class B non-voting MIL ordinary shares. In connection therewith, the Board and the requisite holders of ordinary shares approved the amended and restated MIL bye-laws which, among other things, (i) re-designated the ordinary shares of MIL into Class A ordinary shares, par value $0.001 per share (the "Class A Ordinary Shares"), and Class B ordinary shares, par value $0.001 per share (the "Class B Ordinary Shares," and together with Class A Ordinary Shares, the "Ordinary Shares") and (ii) increased the authorized share capital from 800 million shares to 2,400 million shares.

On December 2, 2024, the holders of Class A Ordinary Shares approved (i) an increase in the MIL authorized share capital from 2,400 million shares to 12,100 million shares, (ii) the consolidation of the entire issued Class A Ordinary Shares in the share capital at a ratio not less than 25-to-1 and not greater than 250-to-1, with the exact ratio to be set within that range at the discretion of the Board, and (iii) an amendment to the amended and restated bye-laws to increase the par value of the Class A Ordinary Shares and Class B Ordinary Shares to an amount per share proportional to the corresponding share consolidation.

On December 19, 2024, we completed the redemption and exchange of all outstanding Series A Preference Shares (defined and described in Note 17, *Redeemable Preference Shares*) into Class A Ordinary Shares, pursuant to which the outstanding Series A Preference Shares were redeemed or exchanged for approximately 2,896 million Class A Ordinary Shares.

On January 23, 2025, we effected a 125-to-1 share consolidation, pursuant to which every 125 Class A Ordinary Shares were automatically combined into one Class A Ordinary Share and the par value per share was proportionately adjusted to $0.125 per share ("Share Consolidation"). Number of shares issued in our December 31, 2024 and 2023 Balance Sheets are presented to reflect the impact of the Share Consolidation. The Share Consolidation did not have a financial impact on our Share capital and Capital in excess of par balances as of December 31, 2024 and 2023. As of the date of the report we had 96.8 million shares authorized and 28.4 million shares issued and outstanding.

Warrants

On June 30, 2020, MIL issued the Warrants (Tranche A and Tranche B) to purchase up to an aggregate of 59.6 million shares of the MIL, par value $0.001 at an exercise price per ordinary share for the Tranche A Warrants and the Tranche B Warrants of $12.33 and $15.98, respectively, per ordinary share.

In connection with the issuance of an aggregate of 340 million ordinary shares on December 31, 2020, we adjusted, on March 4, 2021, the exercise price and the number of ordinary shares into which each of the Tranche A Warrants and Tranche B Warrants was exercisable. As adjusted, the exercise price for the Tranche A Warrants and the Tranche B Warrants was $6.92 and $8.97, respectively, and the total number of ordinary shares issuable upon exercise of the Tranche A Warrants and the Tranche B Warrants was 50.3 million and 55.9 million, respectively.

Subsequent to December 31, 2024, in connection with the Share Consolidation, we adjusted, on January 23, 2025, the exercise price of the Tranche A Warrants and Tranche B Warrants. The adjustments made were solely to effectuate the 125:1 reverse stock split on the exercise price and ordinary shares issuable upon exercise of the Tranche A and Tranche B Warrants. As adjusted, the exercise price for the Tranche A Warrants and the Tranche B Warrants is $865 and $1,121.25, respectively, and the total number of ordinary shares issuable upon exercise of the Tranche A Warrants and Tranche B Warrants is 402,468 and 447,186, respectively. Each Warrant entitles the holder to purchase 0.008 fully paid and non-assessable ordinary share at a price equal to the exercise price. The Warrants are exercisable until the expiration date, which is the earlier of June 30, 2027 or the date of voluntary or involuntary dissolution, liquidation, or winding up of the affairs of MIL.

The Warrants are equity classified and, upon issuance, had a value of $148 million, and were recorded in Capital in excess of par value. The Warrants fair value was a Level 2 valuation and was estimated using the Black Scholes valuation model.

Management Incentive Plan

Under management equity incentive plans (the "MIP") we can award stock-based compensation, in the form of restricted stock, restricted stock units and performance shares or units, to key employees and members of our board of directors. Compensation expense associated with the MIP was approximately $5 million and $4 million during the years ended December 31, 2024 and 2023.

At December 31, 2024, there was $5 million of total unrecognized compensation cost related to nonvested stock-based compensation awards, expected to be recognized over a weighted-average period of approximately two years.

Accumulated Other Comprehensive Income (Loss)

The following table presents the components of AOCI and the amounts that were reclassified during the periods indicated:

	Foreign currency translation adjustments	Net unrealized (loss) on derivative financial instruments [(1)]	Other	Total
		(In millions)		
December 31, 2022	$ (18)	$ (48)	$ -	$ (66)
Other comprehensive income (loss) before reclassification	5	(39)	(3)	(37)
Amounts reclassified from AOCI [(2)]	-	28	-	28
Net current period other comprehensive income (loss)	5	(11)	(3)	(9)
December 31, 2023	$ (13)	$ (59)	$ (3)	$ (75)
Other comprehensive (loss) before reclassification	(20)	(70)	-	(90)
Amounts reclassified from AOCI [(2)]	6	20	-	26
Net current period other comprehensive (loss)	(14)	(50)	-	(64)
December 31, 2024	$ (27)	$ (109)	$ (3)	$ (139)

(1) Refer to Note 14, *Derivative Financial Instruments*, for additional details.

(2) Amounts are net of tax, which was not material during periods presented.

NOTE 17—REDEEMABLE PREFERENCE SHARES

On December 31, 2020, as consideration for entering into the Escrow LC Credit Agreement, the participants were issued 220,000 Series A Redeemable Preference Shares ("Series A Preference Shares") and on September 8, 2023, as consideration for entering into the Tanks Credit Facilities the participants were issued 24,675 shares of Series A Preference Shares. As a result of the holders' contingent redemption rights that were outside of our control, our Series A Preference Shares were classified outside of stockholders' equity in the mezzanine section of our Balance Sheet.

Our Series A Preference Shares ranked senior to our ordinary shares and were entitled to cumulative quarterly dividends paid in cash at a per annum rate equal to 8.00% of the then-outstanding liquidation preference (or 8.75% if the dividend is not paid in cash and accumulates to the liquidation preference). The initial liquidation preference was $1,000 per Series A Preference Share. The Series A Preference Shares were generally non-voting other than with respect to modifications to the terms of the Series A Preference Shares that would have an adverse effect on the holders thereof.

On December 19, 2024, we completed the redemption and exchange of all outstanding Series A Preference Shares into Class A Ordinary Shares. The outstanding Series A Preference Shares, with an approximate value of $347 million as of December 31, 2024 (determined based on the fair value at the time of issuance adjusted for cumulative dividends and the fair value accretion), were redeemed or exchanged for approximately 2,896 million Class A Ordinary Shares with an approximate value of $472 million (determined based on the liquidation preference adjusted for a premium). Following the redemption and exchange, no Series A Preference Shares remain outstanding.

Prior to the redemption, during 2024, we recorded $37 million of accretion and $25 million of dividends as an adjustment to the carrying value of the Series A Preference Shares and increase to Accumulated Deficit. In connection with the redemption, we recorded in the "Interest expense, net" approximately $38 million of previously deferred costs associated with issuance of the Series A Preference Shares in 2020.

In connection with the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization,* on March 25, 2024, the Company issued $75 million aggregate principal amount of non-voting preference shares, par value US$0.001 per share, each in the capital of the Company designated as Series B Redeemable Preference Shares (the "Series B Preference Shares") to Reficar. The carrying value of the Series B Preference Shares as of December 31, 2024 and 2023, was, respectively, $117 million, recorded in "Series B Preference Shares" within non-current liabilities, and $66 million, recorded in "Advance billings on contracts". The change in the Series B Preference Shares value during 2024 was associated with a $51 million change in the fair value, recorded in "Selling, general and administrative expenses". To determine the fair value of our Series B Preference Shares we first performed a business enterprise valuation ("BEV") using a weighted approach between a discounted cash flow analysis and an assessment using the guideline public company method. We determined the fair value of our equity by considering our BEV as well as calculating the fair value of our debt and equity securities. The discounted cash flow analysis was based on our forecasted cash flow information and discounted using our weighted average cost of capital. The fair value of the Series B Preference Shares was determined using a lattice model. The valuation was primarily based on level 3 inputs that are not observable in the market.

Our Series B Preference Shares rank senior to our ordinary shares and are entitled to cumulative quarterly dividends paid in cash at a per annum rate equal to 8.00% of the then-outstanding liquidation preference (or 8.75% if the dividend is not paid in cash and accumulates to the liquidation preference). The initial liquidation preference is $1,000 per Series B Preference Share, for an initial liquidation preference of $75 million.

The Series B Preference Shares may be redeemed by us at any time on or after June 30, 2028 for cash in an amount equal to the liquidation preference and any accrued and unpaid dividends, subject to the holders' election to convert such Series B Preference Shares into Class B Ordinary Shares of the Company, or to retain such Series B Preference Shares, in which case such preference shares shall no longer accrue any additional dividends. The holders of our Series B Preference Shares may also require us to redeem such shares at the same price at any time after June 28, 2028. Holders may also require us to convert all of the Series B Preference Shares at any time on or after June 30, 2028 into Class B Ordinary Shares of the Company, subject to adjustment pursuant to certain anti-dilution provisions. The Series B Preference Shares are subject to mandatory redemption requirements upon a change of control and other customary events. The Certificate of Designation governing the Series B Preference Shares contains certain pre-emptive rights for holders in the event of certain issuances of Company equity securities, subject to certain exceptions.

NOTE 18—COMMITMENTS AND CONTINGENCIES

Investigations and Litigation

General—Due to the nature of our business, we and our affiliates are, from time to time, involved in litigation or subject to disputes, governmental investigations or claims related to our business activities, including, among other things:

- performance or warranty-related matters under our customer and supplier contracts and other business arrangements; and
- workers' compensation claims, Jones Act claims, occupational hazard claims, premises liability claims and other claims.

Based upon our prior experience, we do not expect that, other than as disclosed below, any of these litigation proceedings, disputes, investigations and claims will have a material adverse effect on our consolidated financial condition, results of operations or cash flows; however, because of the inherent uncertainty of litigation and other dispute resolution proceedings and, in some cases, the availability and amount of potentially applicable insurance, we can provide no assurance the resolution of any particular claim or proceeding to which we are a party will not have a material effect on our consolidated financial condition, results of operations or cash flows for the fiscal period in which that resolution occurs.

Chevron Arbitration—We are involved in an arbitration proceeding (governed by the arbitration rules of the United Nations Commission on International Trade Law) entitled CBI Constructors Pty & Kentz Pty Ltd ("CKJV") vs. Chevron Australia Pty Ltd., which was commenced on or about May 17, 2017, with the customer for one of CB&I's previously-completed consolidated joint venture projects, regarding differing interpretations of the contract related to reimbursable billings. CKJV is owned 65% by CBI Constructors Pty Ltd and 35% by Kentz Pty Ltd. The matter was bifurcated, with hearings on entitlement held in November 2018. In December 2018, the tribunal issued an award on entitlement, finding that CKJV was not overpaid for its craft labor but that certain overpayments may have been made to CKJV for its staff labor. Hearings on the amount of damages related to CKJV's staff costs began in August 2020. In September 2020, the tribunal issued an interim award favorable to CKJV, after which the respondent in the arbitration (Chevron) applied to an Australian court to set aside the tribunal's September 2020 interim award. The hearing on that application was held before the Australian court in June 2021. In September of 2021, the Australian court entered a decision in favor of the customer setting aside the interim award. CKJV appealed that court decision, and the appeal hearing occurred on September 8-9, 2022. The decision on appeal was issued on or about January 17, 2023 affirming the lower court decision. CKJV filed an application for appeal to the High Court of Australia. The High Court of Australia heard oral argument on CKJV's application in November 2023 and granted CKJV leave to appeal. Oral argument on CKJV's appeal was heard in April 2024 and the matter was taken under advisement. We received notice on August 14, 2024 that a divided court issued a decision which confirmed the ruling of the lower court. Following that decision, the matter will return to arbitration, with the hearing scheduled for May of 2025. In early November of 2024, CKJV and Chevron submitted their pleadings for the quantum hearing, which included Chevron's claim for interest. CKJV challenges Chevron's entitlement to interest and also the applicable rate and period for which interest might be awarded. If interest is awarded, the amount could potentially be material. During the third quarter of 2024, we increased a reserve for this matter from $20 million as of June 30, 2024 to $40 million as of September 30, 2024. The consolidated joint venture reserve increase during the three months ended September 30, 2024 was approximately $31 million, of which approximately $11 million is attributable to the joint venture minority partner and was recorded within "Net loss attributable to noncontrolling interests" in our Statements of Operations for the year ended December 31, 2024.

Baystar Arbitrations—In March 2017 and September 2018, respectively, CB&I LLC (now known as McDermott, LLC) contracted with Bayport Polymers LLC ("Baystar") for the engineering and construction of two chemical plants—Baystar's Ethane Cracker facility in Port Arthur, Texas ("Cracker Project") and a High-Density Polyethylene plant in Bayport, Texas ("BB3 Project").

On June 5, 2023, Baystar filed an arbitration demand (governed by the arbitration rules of the American Arbitration Association) against CB&I LLC entitled Bayport Polymers LLC v. CB&I LLC seeking to recover $75.4 million in alleged delay-based Liquidated Damages ("LDs") on the BB3 Project. CB&I LLC denied liability for LD's and asserted defenses and claims against Baystar for, e.g., waiver, oral modification, and owner interference. CB&I LLC asserted and planned to file counterclaims to recover unpaid invoices in the amount of approximately $69.5 million and other amounts that are being evaluated. In addition to initiating the arbitration, Baystar attempted to draw $75.4 million on a performance letter of credit ("LC") issued in connection with the BB3 project (the "Barclays LC"). CB&I LLC successfully obtained a Temporary Restraining Order prohibiting Baystar from drawing any LCs relating to the BB3 and Cracker Project, and CB&I LLC sought a temporary injunction enjoining Baystar from drawing on the Barclay's LC related to the BB3 Project during the pendency of arbitration relating to the project, which was granted on August 10, 2023 (the "Temporary Injunction"). Baystar subsequently appealed, and in July 2024 the Fourteenth Court of Appeals set aside the Temporary Injunction and remanded the case back to the District Court for further action.

On June 5, 2023, Baystar also initiated arbitration against CB&I LLC (governed by the arbitration rules of American Arbitration Association), entitled Bayport Polymers LLC v. CB&I LLC, relating to the Cracker Project. In this proceeding, Baystar claimed damages of $119 million in alleged delay-based LDs; $260 million in alleged warranty claims or cost of rework; and $43 million associated with a lien placed by a CB&I LLC's subcontractor on the Cracker Project, for a total of $422 million, and Baystar also sought recovery of consequential damages. CB&I LLC asserted various counterclaims including claims for a $12.9 million outstanding contract balance; $9.6 million in incentive payments; $1.1 million in an agreed back-charge payment; $13.7 million in costs associated with Baystar's improper draw on the LC; and other damages. On the same date as the filing of the Cracker Project arbitration demand, Baystar also attempted to draw on two LCs issued in connection with the Cracker Project totaling approximately $125 million.

On June 8, 2023, CB&I LLC successfully obtained a Temporary Restraining Order prohibiting Baystar from drawing any LCs relating to the BB3 and Cracker Project. Before that order was issued, Baystar was successful in drawing a Cracker Project LC for $13.7 million, for which CB&I LLC timely reimbursed the issuing bank. Notwithstanding the Temporary Restraining Order, Baystar was not able to draw the approximately $111 million Cracker Project LC because that LC was expired. Baystar initiated a third arbitration action on June 13, 2023, seeking a declaration via the Fast Track arbitration rules that CB&I LLC be ordered to post and maintain a $111 million LC related to the Cracker Project. The requested Fast Track treatment was denied, and the parties came to an agreement to consolidate the two arbitrations relating to the Cracker Project.

The matters were on stay through September 30, 2024.

In September 2024, the parties executed a full and final confidential settlement agreement with Baystar that resolved all pending arbitrations and litigation (including appellate proceeding) between the parties related to the BB3 and Cracker Projects. The agreement concluded all issues and ongoing contractual obligations or claims, including warranties. As a condition to settlement, Baystar returned the remaining $125 million LCs issued by CB&I LLC relating to the BB3 project. The agreement further provides that CB&I LLC is to receive contingent, immaterial payment. Both arbitrations, the state court proceeding, and appellate proceeding have been dismissed.

Upon entering into the settlement agreement, we (1) reversed the $47.5 million provision, accrued during 2023 based on a conservative interpretation of ASC 606 (applicable to estimating variable consideration in customer contracts); and (2) wrote off approximately $96 million of accounts receivable and other net contract related assets. As a result, during the year ended December 31, 2024, we recognized approximately $48.5 million of net unfavorable charges associated with the Baystar projects.

BP Tortue Arbitration—In February 2019, McDermott Marine Construction Limited (“MMCL”) contracted with BP Mauritania Investments Limited (“BP”) for the engineering, procurement, construction, transportation and installation of a subsea production system for the Greater Tortue Ahmeyim (“Tortue”) project. McDermott International Management S. de RL (“MIMI”) provided a parent company guarantee to BP guaranteeing the performance by MMCL of the contract. Under the contract, MMCL was to conduct pipelay, install structures, perform part of the pre-commissioning prior to the Floating Production, Storage & Offloading (“FPSO”) arrival, and complete the remainder of the work after FPSO arrival. BP was to provide key Company Provided Items (“CPI”) including the FPSO and Subsea Production System Structures (“SPS Structures”) and schedules for their arrival at site.

In March 2020, BP invoked Force Majeure under the contract citing supply chain management issues and COVID delays impacting BP’s delivery of its CPIs under the contract. The contract provides that, in the event of Force Majeure, the parties “shall promptly meet and jointly agree on a course of action.” MMCL proposed numerous schedules—none of which were accepted by BP. In September 2023, BP elected to terminate the contract, alleging material breach of contract and/or repudiatory breach, as well as contractor performance issues. At the time of contract termination, no firm date had been provided for the FPSO to arrive on site.

In February 2024, BP initiated a Request for Arbitration against MMCL and MIMI under London Court of International Arbitration (“LCIA”) Rules and English Law. BP alleges in its Statement of Claim filed in December 2024 that it is entitled to the maximum amount of delay-based Liquidated Damages, approximately $48.7 million, which MMCL denies based upon BP’s invocation of Force Majeure and absence of a project schedule. BP also alleges material and repudiatory breach of the contract and seeks to recover its alleged additional cost paid to third parties above the amounts that were to be paid to MMCL for the contract work. BP alleges that, as of September 30, 2024, it has spent a total of $977 million to date, of which it claims approximately $610 million as “additional cost” recoverable from MMCL. BP also alleges that it estimates that it could incur a further $331 million in “additional cost” to complete the remaining work and seeks to recover that sum from MMCL. Those amounts are not determined at this time and will be contested in arbitration. In addition, BP is claiming the cost of rectifying certain defects, but has not yet fully pleaded the cost of the rectification work.

MMCL denies any liability to BP on these claims and filed counterclaims to recover unpaid invoices for work already performed (in excess of $300 million) plus other damages and claims that are being developed. We expect that each party will also seek to recover interest, arbitration costs and expenses. At this time, we do not believe a risk of material loss is probable or estimable related to this matter.

FLNG Subrogation Litigation—In June 2024, two lawsuits were filed in Brazoria County, Texas, by insurers of Freeport LNG (FLNG) against CB&I, LLC (now known as McDermott, LLC); McDermott International, Ltd.; joint venture partners Chiyoda and Zachry; and PSRG, Inc., seeking to recoup, as subrogees, all or part of insurance payments made to insured, FLNG, for losses sustained following an explosion and fire which occurred at the FLNG facility in June 2022. FLNG is also named plaintiff in one of the suits and appears to be seeking recovery.

One suit seeks to recover all the losses sustained by FLNG totaling $1.3 billion, which includes insurer subrogation for payments of physical property damage at the FLNG facility ($214 million), business interruption ($1.1 billion), and additional unspecified expenses ($3 million). The other suit does not specify amounts. On July 5, 2024, Zachry removed both suits to United States Bankruptcy Court, Southern District of Texas.

McDermott denies any liability to the insurers and/or FLNG. Additionally, the EPC contract between FLNG and the joint venture contains a liability cap (which applies absent a finding of gross negligence or willful misconduct) and consequential damages waiver that bars business interruption and other consequential damages. On July 29, 2024, McDermott filed Motions to Dismiss in both suits seeking dismissal of the actions, which were granted by the Court as to both suits in November 2024. The plaintiffs have appealed to the U.S. District Court for the Southern District of Texas, and a briefing schedule has been set.

At this time, we do not believe a risk of material loss is probable related to this matter and no amounts have been accrued as of December 31, 2024.

A***sbestos Litigation***—We are a defendant in numerous lawsuits wherein plaintiffs allege exposure to asbestos at various locations. We review and defend each case on its own merits and make accruals based on the probability of loss and best estimates of potential loss. We do not believe any unresolved asserted claim will have a material adverse effect on our future results of operations, financial position or cash flow. With respect to unasserted asbestos claims, we cannot identify a population of potential claimants with sufficient certainty to determine the probability of loss or estimate future losses. We do not believe a risk of material loss is probable related to these matters, and, accordingly, our reserves were not significant as of December 31, 2024. While we continue to pursue recovery for recognized and unrecognized contingent losses through insurance, indemnification arrangements and other sources, we are unable to quantify the amount that we may recover because of the variability in coverage amounts, limitations and deductibles or the viability of carriers, with respect to our insurance policies for the years in question.

Post-Combination McDermott Securities Litigation—On November 15, 2018, a complaint was filed in the United States District Court for the Southern District of Texas seeking class action status on behalf of purchasers of MII common stock and alleging damages on their behalf arising from allegedly false and misleading statements made during the class period from December 18, 2017 to November 5, 2019. The case is captioned: Edwards v. McDermott International, Inc., et al., No. 4:18-cv-04330 (the "Edwards Action"). The defendants in the case are: MII; David Dickson, MII's former President and Chief Executive Officer; and Stuart Spence, MII's former Chief Financial Officer. The plaintiff alleges that the defendants made material misrepresentations and omissions about the integration of the Chicago Bridge & Iron Company business, certain Chicago Bridge & Iron Company projects and their fair values, and MII's business, prospects and operations. The plaintiff asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 thereunder. On January 14, 2019, a related action was filed in the United States District Court for the Southern District of Texas seeking class action status on behalf of all holders of MII common stock as of April 4, 2018 who had the right to vote on the Combination. Before being consolidated with the Edwards action, the case was pending in the same court as the Edwards action and captioned: The Public Employees Retirement System of Mississippi v. McDermott International, Inc., et al., No. 4:19-cv-00135 (the "MSPERS Action"). That plaintiff alleges that the defendants made material misrepresentations and omissions in the proxy statement used by MII in connection with the Combination and asserts claims under Section 14(a) and 20(a) of the Exchange Act. The defendants filed a motion to consolidate the two Actions, and the court granted that motion on February 22, 2019. The court appointed lead plaintiffs for both sets of claims on June 5, 2019. The MSPERS plaintiff subsequently filed an amended pleading to, among other things, add Chicago Bridge & Iron Company and its former chief executive officer as additional defendants. On January 30, 2020, MII filed motions to dismiss all of the claims in both the Edwards Action and the MSPERS Action. These motions were denied on or about March 31, 2021. In the MSPERS Action, following motions for class certification and a hearing before the Magistrate Judge, the Magistrate Judge recommended that class certification be denied, which the Judge for the Southern District of Texas rejected on September 30, 2023. The plaintiffs filed a new class certification motion in November 2023 and in early March 2025, the District Judge denied the MSPERS plaintiffs' motion for class certification. The MSPERS defendants filed an unopposed motion for entry of final judgment, which the Court entered on March 24, 2025, fully dismissing the MSPERS plaintiffs claims. In the Edwards Action, following motions for class certification and a hearing before the Magistrate Judge, the Magistrate Judge recommended that the motion for class certification be granted in part, and that the Court certify a subclass of shareholders consisting of persons who converted stock of Chicago Bridge & Iron Company into stock of MII via the merger of Chicago Bridge & Iron Company and MII. The Magistrate Judge also recommended that the Court permit class certification motions from plaintiffs who had previously filed to be Lead Plaintiffs at the outset of the litigation for a subclass of shareholders consisting of those persons who acquired MII common stock between December 18, 2017 and January 23, 2020. On June 21, 2024, the District Judge adopted the Magistrate Judge's recommendation with only minor revisions. On July 5, 2024, the Edwards plaintiff and the defendants each filed a petition for permission to appeal that ruling in the Fifth Circuit. The Fifth Circuit granted both of those petitions and briefing is underway.

On or about August 17, 2020, a complaint was filed in the United States District Court for the Southern District of Texas by individual plaintiffs based on allegations similar to those alleged in the Edwards action. The case is captioned *Kingstown Partners Master Ltd. et al. v. David Dickson et al.*, No. 4:20-cv-02880 (the "Kingstown Action"). The defendants are the same as in the Edwards action. Plaintiffs assert causes of action based on alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 thereunder. On November 13, 2020, the defendants filed a motion to dismiss the Kingstown action. The court denied the motion to dismiss on August 23, 2021. Fact and expert discovery has been completed, and the Magistrate Judge has stayed the Kingstown Action pending resolution of the petitions to appeal in the Edwards Action.

We do not believe a material loss is probable related to these matters and, accordingly, no amounts have been accrued as of December 31, 2024. We believe the claims are without merit and we intend to defend against them vigorously.

Saudi Arabia Customs Audit—During the fourth quarter of 2019, McDermott Arabia Co. Ltd ("MACL") received a customs audit report from the General Directorate of Customs Audit department in Saudi Arabia seeking to assess additional custom duties on certain structures and platforms imported from 2014 to 2019. The audit report claims that customs duties on imported structures and platforms of $63.4 million are owed to the Saudi Arabia Customs Authority. MACL has challenged these claims through various escalating levels, culminating in an appeal to the Higher Customs Committee on November 16, 2021. Additionally, during November 2022, additional claims were issued by the Zakat, Tax and Customs Authority ("ZATCA") of $10.5 million for structures and platforms imported during 2021.

On July 9, 2023, McDermott received notice that the Higher Customs Committee found in MACL's favor, largely on the basis that the Saudi Arabia Customs Authority had previously confirmed the import codes that MACL was using and could not subsequently change its position to the detriment of MACL. The Committee ordered the revocation of the 6 invoices making up the $63.4 million claims for 2014 through 2019, a final and binding decision and the invoices have all now been revoked. MACL therefore considers the exposure on the 2014 through 2019 claims to have been fully resolved with no impact to MACL.

In February 2024, the General Secretariat of the Tax Committees ("GSTC") rejected MACL's case for dismissal of the platforms assessment, on a technical basis that the case should have been filed at GSTC within 30 days of MACL's objection to ZATCA. MACL appealed this ruling and on January 23, 2025 the Customs Appeal Committee ruled against GSTC's rejection of MACL's applications and directed GSTC to consider the applications on their merits. We are now awaiting confirmation of a hearing date from GSTC.

External Counsel has also advised that the Higher Customs Committee decision can be relied upon to challenge the ZATCA claims relating to imports during 2021. We do not believe a risk of material loss is probable related to this matter and, accordingly, no amounts have been accrued as of December 31, 2024. We believe the audit reports are incorrect, and we continue to challenge the remaining $10.5 million assessment vigorously.

Environmental Matters

We have been identified as a potentially responsible party at various cleanup sites under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"). CERCLA and other environmental laws can impose liability for the entire cost of cleanup on any of the potentially responsible parties, regardless of fault or the lawfulness of the original conduct.

In connection with the historical operation of our facilities, including those associated with acquired operations, substances which currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. In addition, we have agreed to indemnify parties from whom we have purchased or to whom we have sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred.

Generally, however, where there are multiple responsible parties, a final allocation of costs is made based on the amount and type of wastes disposed of by each party and the number of financially viable parties, although this may not be the case with respect to any particular site. We have not been determined to be a major contributor of waste to any of these sites. On the basis of our relative contribution of waste to each site, we expect our share of the ultimate liability for the various sites will not have a material adverse effect on our consolidated financial condition, results of operations or cash flows in any given year.

We believe we are in compliance, in all material respects, with applicable environmental laws and regulations and maintain insurance coverage to mitigate our exposure to environmental liabilities. We do not anticipate we will incur material capital expenditures for environmental matters or for the investigation or remediation of environmental conditions during 2025. As of December 31, 2024, we had no material environmental reserves recorded.

Contracts Containing Liquidated Damages Provisions

Some of our contracts contain provisions that require us to pay liquidated damages if we are responsible for the failure to meet specified contractual milestone dates and the customer asserts a claim under those provisions. Those contracts define the conditions under which our customers may make claims against us for liquidated damages. In most cases in which we have historically had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. As of December 31, 2024 and 2023, we determined that we had approximately $527 million and $651 million of potential liquidated damages exposure based on performance under contracts to date, respectively. Based on our performance and commercial and legal analysis, we believe we have appropriately recognized probable liquidated damages of $3 million and $51 million as reductions in transaction prices related to such exposure as of December 31, 2024 and 2023, respectively. Significant potential liquidated damages exposures included in the $527 million are: (1) an exposure for $59 million, where we expect our completion timing to be aligned with the customers' ability to use the facilities and are pending relief from the customer; (2) an exposure for $52 million, where we are pending relief from the customer on a schedule extension; (3) an exposure for $112 million, where we are preparing an extension of time claim and expect to receive the customer approval; (4) an exposure for $49 million, discussed under "BP Tortue Arbitration" above; and (5) an exposure for $83 million, where we are working on a revised execution plan to mitigate schedule delays.

Where we have not made a reduction in transaction prices, we believe we will be successful in obtaining schedule extensions or other customer-agreed changes that should resolve the potential for the liquidated damages. However, we may not achieve relief on some or all of the issues involved and, as a result, could be subject to liquidated damages in the future. In such events, our financial condition or results of operations could be materially impacted.

NOTE 19—SEGMENT REPORTING

We disclose the results of each of our reporting segments in accordance with ASC 280, *Segment Reporting*. Each of the reporting segments is separately managed by a senior executive who is a member of our Executive Committee ("EXCOM"). Our EXCOM is led by our CEO, who is the chief operating decision maker ("CODM"). Discrete financial information is available for each of the segments, and the EXCOM uses the operating results of each of the reporting segments for performance evaluation and resource allocation.

Our CODM reviews financial results under four operating groups, which represent our business line reporting segments consisting of (1) Low Carbon Solutions, focused on energy transition, including high voltage direct current platforms, LNG, differentiated project solutions, such as FEED conversions and modularization; (2) Offshore Middle East, focused on shallow water offshore projects in the Middle East; and (3) Subsea and Floating Facilities, focused on subsea, floating facilities and fixed facilities projects outside of the Middle East.

We also report certain global and corporate activities under the heading "Corporate and Global Operations", comprised of (1) corporate activities, which include certain centrally managed initiatives (such as reorganization, restructuring, acquisition and divestiture activities), impairments, year-end actuarial pension mark to market gains and losses and other costs not attributable to a particular reporting segment; and (2) global operations costs, relating to engineering and supply chain activities in India, our non-Middle East fabrication yards and global project management and controls.

As discussed in Note 3, *Discontinued Operations*, on December 4, 2024, we announced the completion of the sale of the CB&I storage solutions segment of our business. Operating results of the CB&I reporting segment have been classified as a discontinued operations within the Statements of Operations for years ended December 31, 2024 and 2023, and assets and liabilities of the CB&I segment have been classified as assets and liabilities of discontinued operations within the December 31, 2023 Balance Sheet, as the sale represented a strategic shift and had a material effect on our operations and financial results.

Intersegment sales are recorded at prices we generally establish by reference to similar transactions with unaffiliated customers and are eliminated upon consolidation.

We adopted ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, as issued by the FASB. The adoption did not materially impact our financial statements other than providing additional disclosures related to our segments.

Revenue and operating results were as follows:

	Year ended December 31, 2024 (In millions)				
	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total
Revenues	$ 2,981	$ 3,322	$ 1,909	$ -	$ 8,212
Cost of operations	2,984	3,280	1,801	(5)	8,060
Selling, general and administrative expenses [(1)]	15	18	24	138	195
Intangible assets amortization (Note 7)	12	25	20	-	57
Research and development expenses	-	-	1	5	6
Property, plant and equipment and operating lease right-of-use assets impairment (Note 13)	-	-	-	9	9
Restructuring costs	-	-	-	33	33
Transaction costs	-	-	-	11	11
(Gain) loss on disposal of other assets and investments, net	(1)	(2)	-	8	5
Loss (income) from investments in unconsolidated affiliates (Note 8)	12	(2)	(6)	(16)	(12)
Total operating costs	3,022	3,319	1,840	183	8,364
Operating (loss) income	$ (41)	$ 3	$ 69	$ (183)	$ (152)

	Year ended December 31, 2023 (In millions)					
	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Other [(2)]	Total
Revenues	$ 2,200	$ 3,184	$ 1,672	$ -	$ (196)	$ 6,860
Cost of operations	2,243	3,097	1,615	18	-	6,973
Selling, general and administrative expenses [(1)]	24	16	21	89	-	150
Intangible assets amortization	12	25	20	-	-	57
Research and development expenses	-	-	-	4	-	4
Property, plant and equipment and operating lease right-of-use assets impairment	-	-	-	9	-	9
Restructuring costs	-	-	-	54	-	54
Transaction costs	-	-	-	17	-	17
Income from investments in unconsolidated affiliates	-	(5)	(17)	(9)	-	(31)
Total operating costs	2,279	3,133	1,639	182	-	7,233
Operating (loss) income	$ (79)	$ 51	$ 33	$ (182)	$ (196)	$ (373)

(1) Selling, general and administrative expenses for the years ended December 31, 2024 and 2023 included approximately $50 million and $50 million, respectively, of selling and bidding expenses. During 2024, our Corporate and Global Operations selling, general and administrative expenses included approximately $51 million fair value adjustment associated with our Series B Preference Shares, discussed in Note 17, *Redeemable Preference Shares*.

(2) Our consolidated revenue and operating income for the year ended December 31, 2023 was reduced by the $196 million reserve for certain liabilities associated with the Reficar project, recognized upon effectuation of the Restructuring Transactions and reaching the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization*.

Depreciation and amortization expense and capital expenditures were as follows:

	Year ended December 31, 2024	2023
	(In millions)	
Depreciation and amortization:		
Low Carbon Solutions	$ 13	$ 4
Offshore Middle East	47	45
Subsea and Floating Facilities	51	58
Corporate and Global Operations	16	16
Total depreciation and amortization - continuing operations	$ 127	$ 123
Total depreciation and amortization - discontinued operations	22	25
Total depreciation and amortization	$ 149	$ 148
Capital expenditures [1]:		
Low Carbon Solutions	$ 1	$ -
Offshore Middle East	46	20
Subsea and Floating Facilities	20	25
Corporate and Global Operations	16	16
Total capital expenditures - continuing operations	$ 83	$ 61
Total capital expenditures - discontinued operations	13	10
Total capital expenditures	$ 96	$ 71

(1) Capital expenditures represent cash purchases.

Our segment assets were as follows:

	December 31, 2024	December 31, 2023
	(In millions)	
Low Carbon Solutions	$ 1,492	$ 1,038
Offshore Middle East	1,552	1,703
Subsea and Floating Facilities	1,593	1,618
Corporate and Global Operations	957	662
Total assets - continuing operations	$ 5,594	$ 5,021
Total assets - discontinued operations	-	551
Total assets	$ 5,594	$ 5,572

Our significant customers by segments during 2024 and 2023 were as follows:

	% of Consolidated Revenues	Reportable Segments
Year ended December 31, 2024:		
Saudi Aramco	21%	Offshore Middle East
Qatar Gas	17%	Offshore Middle East
Golden Pass Products LLC (QatarEnergy 70% and ExxonMobil 30%)	13%	Low Carbon Solutions
Woodfibre LNG	11%	Low Carbon Solutions
Year ended December 31, 2023:		
Saudi Aramco	28%	Offshore Middle East
Golden Pass Products LLC (QatarEnergy 70% and ExxonMobil 30%)	13%	Low Carbon Solutions

Operating Information by Geography

	Year ended December 31, 2024	Year ended December 31, 2023
	(In millions)	
Revenues		
Saudi Arabia	$ 1,872	$ 2,301
United States	1,714	1,469
Qatar	1,452	897
Australia	892	931
Canada	462	122
Uganda	324	315
India	322	339
Germany	264	89
Mozambique	254	68
Trinidad and Tobago	169	-
Guyana	76	124
Mauritania and Senegal	10	149
Other countries	401	252
	8,212	7,056
Other [1]	-	(196)
Total geographic revenues - continuing operations	$ 8,212	$ 6,860

(1) Our consolidated operating revenue for the year ended December 31, 2023 was reduced by the $196 million reserve for certain liabilities associated with the Reficar project, recognized upon effectuation of the Restructuring Transactions and reaching the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization*.

	December 31, 2024	December 31, 2023
	(In millions)	
Property, plant and equipment		
Barbados	$ 443	$ -
Australia	129	-
United Arab Emirates	117	124
Indonesia	104	90
United States	86	554
Saudi Arabia	62	29
Mexico	30	20
Singapore	-	138
Other countries	11	10
Total property, plant and equipment, net - continuing operations	$ 982	$ 965
Total property, plant and equipment, net - discontinued operations	-	79
Total property, plant and equipment, net [1]	$ 982	$ 1,044

(1) Our marine vessels are included in the country in which they were located as of the reporting date.

NOTE 20—SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2025, the date these financial statements were available to be issued.