

ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

For the annual period ended December 31, 2023

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)

MCDERMOTT

77079
(Zip Code)

The number of Ordinary Shares of McDermott International, Ltd outstanding at April 8, 2024 was 653,850,862.

McDERMOTT INTERNATIONAL, LTD

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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, 2023 and 2022, 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, 2023 and 2022, 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 and an estimate of total contract revenue. 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 items 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, incentives and bonuses, 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, incentives and bonuses, 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; engaging internal engineering specialists to review certain estimates, as needed; 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, 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
April 8, 2024

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,	
	2023	2022
	(In millions)	
Revenues	\$ 7,747	\$ 6,246
Costs and expenses:		
Cost of operations	7,789	6,208
Project intangibles amortization	(9)	4
Total cost of operations	7,780	6,212
Selling, general and administrative expenses	177	154
Other intangibles amortization	68	68
Research and development expenses	7	9
Restructuring costs	54	-
Transaction costs	17	-
Loss (gain) on disposal of assets, net	1	(224)
Property, plant and equipment and operating lease right-of-use assets impairment	9	9
Total expenses	8,113	6,228
Income from investments in unconsolidated affiliates	31	6
Investment in unconsolidated affiliates-related amortization	-	13
Operating (loss) income	(335)	37
Other expense:		
Interest expense, net	(186)	(154)
Other non-operating expense, net	(47)	(17)
Total other expense, net	(233)	(171)
Loss before provision for income taxes	(568)	(134)
Income tax expense	115	102
Net loss	(683)	(236)
Less: Net loss attributable to noncontrolling interests ("NCI")	-	(2)
Net loss attributable to McDermott	(683)	(234)
Dividends on redeemable preference shares	(25)	(22)
Accretion of redeemable preference shares	(39)	(26)
Net loss attributable to McDermott after preference shares dividends and accretion	\$ (747)	\$ (282)

See accompanying Notes to these Consolidated Financial Statements.

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

	Year ended December 31,	
	2023	2022
	(In millions)	
Net loss attributable to McDermott	\$ (683)	\$ (234)
Other comprehensive (loss) income, net of tax:		
Loss on derivatives	(11)	(41)
Foreign currency translation	5	(6)
Other	(3)	(1)
Total comprehensive loss	(692)	(282)
Less: Comprehensive loss attributable to NCI	-	(2)
Comprehensive loss attributable to McDermott	<u>\$ (692)</u>	<u>\$ (280)</u>

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED BALANCE SHEETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>(In millions, except per share amounts)</u>	
Assets		
Current assets:		
Cash and cash equivalents (\$112 and \$136 related to variable interest entities ("VIEs"))	\$ 747	\$ 785
Restricted cash and cash equivalents	71	19
Accounts receivable—trade, net (\$2 and \$0 related to VIEs)	720	663
Accounts receivable—other (\$1 and \$11 related to VIEs)	208	97
Contracts in progress (\$1 and \$1 related to VIEs)	1,463	980
Project-related intangible assets, net	-	13
Other current assets (\$8 and \$11 related to VIEs)	195	192
Total current assets	3,404	2,749
Property, plant and equipment, net	1,044	1,051
Operating lease right-of-use assets	182	197
Accounts receivable—long-term retainages	167	97
Investments in unconsolidated affiliates	146	114
Other intangibles, net	442	511
Other non-current assets	187	255
Total assets	<u>\$ 5,572</u>	<u>\$ 4,974</u>
Liabilities, Mezzanine Equity and Stockholders' Equity		
Current liabilities:		
Operating lease obligations	\$ 65	\$ 66
Current portion of long-term debt	20	20
Accounts payable (\$5 and \$7 related to VIEs)	912	712
Advance billings on contracts (\$136 and \$128 related to VIEs)	1,706	1,288
Project-related intangible liabilities, net	-	22
Accrued liabilities (\$41 and \$37 related to VIEs)	1,628	1,192
Total current liabilities	4,331	3,300
Long-term debt	969	731
Long-term operating lease obligations	166	184
Deferred income taxes	97	87
Other non-current liabilities	442	453
Total liabilities	6,005	4,755
Mezzanine equity:		
Redeemable preference shares	284	216
Stockholders' equity:		
Ordinary shares, par value \$0.001 per share, authorized 800 shares; issued 655 and 588 shares	1	1
Capital in excess of par value	2,410	2,374
Accumulated deficit	(3,049)	(2,302)
Accumulated other comprehensive (loss) income ("AOCI")	(75)	(66)
Total McDermott stockholders' equity	(713)	7
Noncontrolling interest	(4)	(4)
Total stockholders' equity	(717)	3
Total liabilities and stockholders' equity	<u>\$ 5,572</u>	<u>\$ 4,974</u>

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2023	2022
	(In millions)	
Cash flows from operating activities:		
Net loss	\$ (683)	\$ (236)
Adjustments to reconcile net loss to cash flows from operating activities:		
Provision under the Reficar Resolution Agreement (Note 1, Nature of Operations and Organization)	196	-
Depreciation and amortization	148	142
Debt issuance cost amortization and debt discount and make-whole accretion	63	46
Property, plant and equipment and operating lease right-of-use asset impairment	9	9
Loss (gain) on disposal of unconsolidated affiliate and other assets, net	1	(224)
Income from investments in unconsolidated affiliates	(31)	(6)
Pension curtailment, settlement, and actuarial mark-to-market loss, net	45	37
Other non-cash items	43	15
Changes in operating assets and liabilities, net:		
Accounts receivable	(127)	(163)
Contracts in progress, net of advance billings on contracts	(260)	276
Accounts payable	200	(3)
Other current and non-current assets	(59)	(22)
Other current and non-current liabilities	361	(42)
Total cash used in operating activities	\$ (94)	\$ (171)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(71)	(223)
Proceeds from disposal of property, plant and equipment, net of \$1 million transaction costs	-	72
Proceeds from disposal of unconsolidated affiliate, net of \$3 million transaction costs	-	217
Investments in unconsolidated affiliates	(1)	(2)
Total cash (used in) provided by investing activities	\$ (72)	\$ 64
Cash flows from financing activities:		
Tanks Term Loan Facility - proceeds	250	-
Debt issuance costs	(43)	-
Amazon financing - proceeds	-	102
Amazon financing - repayment	(22)	(17)
Other	(5)	-
Total cash provided by financing activities	\$ 180	\$ 85
Net increase (decrease) in cash, cash equivalents and restricted cash	14	(22)
Cash, cash equivalents and restricted cash at beginning of period	804	826
Cash, cash equivalents and restricted cash at end of period	818	804
Supplemental cash flow information:		
Cash paid for interest	\$ 113	\$ 42
Cash paid for income taxes, net	90	57

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	<u>Common Stock Par Value</u>	<u>Capital in Excess of Par Value</u>	<u>Accumulated Deficit</u>	<u>AOCI</u> (In millions)	<u>Stockholders' Equity</u>	<u>NCI</u>	<u>Total Equity</u>
Balance at December 31, 2021	\$ 1	\$ 2,371	\$ (2,020)	\$ (18)	\$ 334	\$ (2)	\$ 332
Net loss	-	-	(234)	-	(234)	(2)	(236)
Other comprehensive income, net of tax	-	-	-	(48)	(48)	-	(48)
Stock compensation expense	-	3	-	-	3	-	3
Accretion and dividends on redeemable preference shares	-	-	(48)	-	(48)	-	(48)
Balance at December 31, 2022	\$ 1	\$ 2,374	\$ (2,302)	\$ (66)	\$ 7	\$ (4)	\$ 3
Net loss	-	-	(683)	-	(683)	-	(683)
Other comprehensive income, 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 redeemable preference shares	-	-	(64)	-	(64)	-	(64)
Balance at December 31, 2023	<u>\$ 1</u>	<u>\$ 2,410</u>	<u>\$ (3,049)</u>	<u>\$ (75)</u>	<u>\$ (713)</u>	<u>\$ (4)</u>	<u>\$ (717)</u>

See accompanying Notes to these Consolidated Financial Statements.

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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 has already begun to deliver tangible outcomes, such as 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 four 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, and Lummus Technology pull-through projects; (2) Offshore Middle East, focused on shallow water offshore projects in the Middle East; (3) Subsea and Floating Facilities, focused on subsea, floating facilities and fixed facilities projects outside of the Middle East; and (4) CB&I, representing our storage solutions business. 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 9, *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 (the English Proceeding and the two Dutch Proceedings, each as defined and described below) that collectively de-levered the Company’s balance sheet, including by addressing the Reficar-related liabilities (defined and described under “Litigation Matters” below) and extending the maturity of the Escrow LC Facility and Exit Credit Agreement. The respective court approvals in the English Proceeding, Dutch Proceedings, and Chapter 15 Proceeding (each as defined below) served to effectuate the Restructuring Transactions.

As part of the English Proceeding, the Company sought to effectuate the Restructuring Transactions pursuant to Part 26A of the Companies Act, a restructuring procedure that became law in England and Wales in 2020 (the proceeding commenced by CB&I UK Limited under Part 26A, the “English Proceeding”). Part 26A of the Companies Act allows companies to use a statutory tool known as a “restructuring plan” (as it pertains to CB&I UK Limited, the “Restructuring Plan”) to impose a compromise or arrangement (including a restructuring of liabilities) agreed with a statutory majority of the Company’s creditors or members upon each and every creditor or member of the relevant class subject to the Restructuring Plan, provided certain conditions are met. The Restructuring Plan meetings were held on February 1, 2024, and the Plan was approved by 100% of the Company’s secured creditors who submitted votes. On February 27, 2024, the High Court of Justice of England and Wales (the “English Court”) handed down a written judgment sanctioning the Restructuring Plan.

As part of the Dutch Proceedings, Lealand Finance Company B.V. and McDermott International Holdings B.V. (collectively, the “Dutch Debtors”) commenced proceedings pursuant to the Wet Homologatie Onderhands Akkoord (the “Dutch Proceedings” and, together with the English Proceeding, the “Foreign Implementation Proceedings”). As part of the Dutch Proceedings, the Dutch Debtors prepared proposals (the “WHOA Plans”) to impose a compromise with the Company’s creditors, similar to that in the English Proceeding. During February, the WHOA Plans were offered to creditors for voting, with approval from 100% of votes submitted. Reficar abstained from voting in return for consideration described under Litigation Matters below. On March 21, 2024, the WHOA Plans were approved by the Dutch Court.

On October 9, 2023, McDermott International Holdings B.V., Lealand Finance Company B.V., and CB&I UK Limited (collectively, the “Foreign Debtors”) filed petitions with the Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”), seeking relief under Chapter 15 of Title 11 of the United States Code to recognize the ongoing proceedings in England and the Netherlands (the proceeding initiated by the filing of such petitions, the “Chapter 15 Proceeding”). In addition, the Foreign Debtors filed, on February 21, 2024, a motion to cause the Restructuring Plan and the WHOA Plans to become enforceable within the territorial jurisdiction of the United States (the “Motion to Enforce”). On March 22, 2024, the Bankruptcy Court granted the Motion to Enforce and ruled to recognize the results of the Foreign Implementation Proceedings.

Following the sanctioning of the CB&I UK Restructuring Plan, the sanctioning of the WHOA Plans and the recognition of the Foreign Implementation Proceedings, 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 (as discussed in Note 9, *Debt*).

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

Litigation Matters

As discussed in Note 17, *Commitments and Contingencies*, on March 8, 2016, former CB&I customer Reficar de Cartagena S.A. (“Reficar”) filed an international arbitration proceeding against Chicago Bridge & Iron Company N.V., et. al. (now known as McDermott International Holdings, B.V., with additional Company parties CB&I UK Limited and CBI Colombiana S.A.). On June 7, 2023, we received notice of the decision of the arbitration tribunal which found that CB&I UK Limited, McDermott International Holdings, B.V., and CBI Colombiana S.A. (together “Defendants”) did not fraudulently induce Reficar to enter a reimbursable cost contract and made various rulings in favor of and against the Defendants. In full, following offsetting claims and recoveries in favor of Defendants, the arbitration panel granted Reficar net damages of approximately \$938 million plus legal costs reimbursement (net of costs awarded to Defendants) of approximately \$59 million. The Tribunal also granted Reficar interest on the damages award from December 31, 2015 (the date determined to be the liquidation of the contract) and interest on the legal costs award from the date of notice of the award (June 7, 2023) at LIBOR plus 2% (until such time as LIBOR ceases to exist, and then at SOFR plus 2%) through date of payment of the award. On June 8, 2023, McDermott International Holdings, B.V. and CB&I UK Limited filed a Petition to Vacate the award in the Southern District of New York asserting that the arbitration decision is based upon fundamental legal error and violation of due process related to procedural matters and the impact of various proceedings initiated by other agencies of the Colombian government. On August 4, 2023, Reficar filed a motion to confirm the award in the same court proceeding. On September 25, 2023, Reficar filed a Motion for Pre-judgment Attachment and Disclosure of Assets. On October 10, 2023, the U.S. Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”) granted the Company’s request and issued an order granting provisional relief pursuant to the Bankruptcy Code which stayed Reficar’s Motion for Pre-Judgment Attachment as well as the cross-motions for vacatur and confirmation of the arbitration award (the “Bankruptcy Stay”). In response to the Bankruptcy Stay, on October 10, 2023, the Court for the Southern District of New York stayed all proceedings in that court. On October 16, 2023, Reficar filed a motion for relief from the Bankruptcy Stay seeking a modification from the provisional relief order solely to allow the NY Vacatur Proceedings to resume, which was denied at a hearing held on November 29, 2023. Reficar commenced proceedings to enforce the arbitration award in both the Netherlands and the U.K; those proceedings were formally withdrawn and discontinued by Reficar following the entry into the Reficar Resolution Agreement, as discussed below. CB&I UK Limited and McDermott International Holdings B.V. compromised and discharged the Reficar arbitration award through the Restructuring Transactions. On February 25, 2024, the Defendants and Reficar reached an agreement (the “Reficar Resolution Agreement”), which provides for consideration to Reficar including \$75 million in Series B Preference Shares (as defined and described in Note 16, *Redeemable Preference Shares*) in McDermott International, Ltd, which will accrue interest at 8.00% per annum or 8.75% upon the Company’s election to pay such interest in kind, and are convertible into 19.9% of the non-voting Class B Ordinary Shares of the Company, as described in Note 16, *Redeemable Preference Shares*, and the reimbursement of advisor costs up to \$9 million. In addition, Reficar exercised the right to draw on the \$95 million letter of credit, and we assigned Reficar rights to recovery from any applicable insurance.

As of September 30, 2023, we recorded a reserve of \$1,334 million for the Reficar matter, which was inclusive of the \$938 million damages award, \$59 million of legal costs awarded, and \$337 million in interest through September 30, 2023. Upon reaching the Reficar Resolution Agreement, in accordance with Accounting Standards Codification (“ASC”) 855, *Subsequent Events*, effective December 31, 2023, we (1) reversed the reserve of \$1,334 million; and (2) recorded a 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 16, *Redeemable Preference Shares*), (b) \$95 million letter of credit drawn by Reficar on March 28, 2024, that is deemed to be a borrowing under the LC Term Loans (as defined and described in Note 9, *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. The reserve of \$196 million has been recognized as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within “Advance billings on contracts” in our Consolidated Balance Sheets as of December 31, 2023.

Liquidity and Going Concern Matters

Since 2021, we have recognized material unfavorable changes in estimates on certain of our projects. These projects caused a significant strain on our liquidity, which has been further exacerbated by professional and legal costs associated with the Reficar matter and the amendment and extension of our financing facilities. This uncertainty has caused our customers, vendors, and banks to behave more cautiously when doing business with us. As a result, in our second and third quarter financial statements, we concluded there existed substantial doubt about our ability to continue as a going concern.

To proactively address our liquidity needs, in November 2022 we commenced discussions with lenders regarding the amendment and extension of the Escrow LC Facility and Exit Credit Agreement (defined and described in Note 9, *Debt*). On March 25, 2024 (“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 amends 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, and Escrow LC Facility are extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility is extended to December 31, 2027.

In addition, on September 8, 2023 we completed a structural reorganization and ringfencing of the Tanks Subsidiaries (defined in Note 9, *Debt*) which were released from their obligations as guarantors under the Escrow LC Facility and Exit Credit Agreement and entered into the Tanks Credit Facilities (defined and described in Note 9, *Debt*), which among other things, provided \$250 million in new capital from a group of our existing equity holders. The new capital allowed us to address certain liquidity constraints and make positive changes in managing the vendor base. As of December 31, 2023, we averaged 65 days payable outstanding compared to 82 days and 95 days as of September 30, 2023 and June 30, 2023, respectively.

Structural reorganization and ringfencing of the Tanks Subsidiaries and strategic changes in our business have positively impacted our financial performance in recent quarters. Our customer and vendor relationships have improved significantly; however, we continue to closely monitor performance risks. We are actively pursuing the resolution of our unapproved change order position and liquidated damage exposure with our customers and are optimizing the utilization of our letter of credit capacity. In addition, we remain focused on managing risks around the supply chain to ensure continued progression on the project portfolio. We believe these initiatives and the recent extension and amendment of our credit agreements and successful discharge of the Reficar arbitration award through the Restructuring Transactions alleviate the substantial doubt about the Company’s ability to continue as a going concern that existed as of September 30, 2023.

Cybersecurity Incident

In April 2023, subsequent to our first quarter financial close, we experienced a cybersecurity incident involving social engineering followed by the encryption of certain McDermott systems. After detecting the incident, we took our systems offline to prevent further compromise and engaged our third-party cybersecurity experts to assist in the containment of the threat and restoration of our systems. Our recovery efforts and investigation were completed in May 2023. The investigation determined that no individuals’ personal information or customer sensitive project data was taken from our systems. During the second quarter of 2023, we have incurred approximately \$20 million and \$6 million, included in our cost of operations and selling, general and administrative expenses, respectively, of expenses related to this incident, including expenses to respond to, remediate, and investigate this matter. We have engaged forensic accountants to support our claim under the business interruption portion of our cyber and ransomware insurance policies which provide for a maximum recovery of \$5 million after a \$2 million deductible. As of December 31, 2023, we have recorded an insurance recovery of approximately \$2 million in our selling, general and administrative expenses related to this incident.

Recent Developments Affecting Industry Conditions and Our Business

Our industry was adversely affected by geopolitical events that increased the supply of low-priced oil to the global market at the same time that worldwide demand weakened due to the effects of the pandemic, leading to a collapse in oil prices during March 2020. In 2021 U.S. oil production stabilized as commodity prices increased and demand for oil rebounded, which trend continued into 2022. In its report issued on February 14, 2023, the Organization of the Petroleum Exporting Countries (“OPEC”) noted that for 2023, the forecast for world oil demand growth stands at 2.3 million barrels per day. Following the February report, 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. On June 4, 2023, these production cuts were further extended through the end of 2024. On November 30, 2023, additional voluntary production cuts totaling 2.2 million barrels per day were announced. Although the world oil demand in 2023 was supported by solid economic performance in major consuming countries, as well as improvements in coronavirus (“COVID-19”) pandemic restrictions, we cannot predict the ultimate impact of these events on commodity prices. 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, 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.

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 pause on the permitting of new LNG export terminal projects in the United States while the United States Department of Energy reviews the economic and environmental impacts of LNG exports. We cannot predict the ultimate duration or impact of such action. 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 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-Israeli conflict is unpredictable and has already 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 2024, 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. 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 Russia-Ukraine and the Hamas-Israel conflicts 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 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 other 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 and storage solutions projects 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, 2023.
 - o **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.

- o *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 Consolidated Balance Sheets (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.

- o *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.
- o *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 clients, we typically do not include explicit financing components within our contracts.
- o *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 7, *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 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 finite-lived intangible assets were recognized upon emergence from bankruptcy. Our project-related intangible assets are amortized as the applicable projects progress, and our other intangibles 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 and interest rates, as described below.

- *Foreign Currency Rate Derivatives*—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 Statement 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 Statement of Operations line item associated with the underlying exposure.
- *Interest Rate Derivatives*—A U.S. dollar interest rate swap arrangement we entered into to mitigate exposure associated with cash flow variability on the Term Loan Exit Facility in an aggregate notional value of \$500 million expired on May 10, 2023. See Note 13, *Derivative Financial Instruments*, for further discussion.

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 Consolidated 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 17, *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.

For the year ended December 31, 2023, we recognized a loss before provision for income taxes of \$568 million, compared to loss of \$134 million for the year ended December 31, 2022. The provision for income taxes operations was \$115 million and \$102 million for the years ended December 31, 2023 and 2022, respectively. The effective tax rate was approximately (20%) in 2023 and (76%) in 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The 2023 effective tax rate of (20%) was partially driven by the recognition of the reserve for the Reficar legal matter, discussed in Note 17, *Commitments and Contingencies*, 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.

The 2022 effective tax rate of (76%) was driven by the taxability of the gain on the sale of our interest in Net Power LLC which is included in the overall operating loss 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 uncertain tax positions, withholding taxes and changes in the deferred tax valuation allowance.

Accounting Guidance Issued but Not Adopted as of December 31, 2023

Segment Reporting—In November 2023, the Financial Accounting Standards Board (FASB) issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments are intended to increase reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The ASU is effective on a retrospective basis for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We are currently evaluating the impact that this ASU will have on our disclosures.

Income Taxes—In December 2023, the FASB issued ASU No. 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. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact that this ASU will have on our disclosures.

Reference Rate Reform—In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). This ASU provides temporary optional expedients and exceptions to ease the financial reporting burden of the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The guidance is applicable to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met and to other derivative instruments if there is a change in the interest rate used for discounting, margining and contract price alignment. The guidance was effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. Subsequently, in March 2021, the Financial Conduct Authority announced some USD LIBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) will continue to be published until June 30, 2023. Because the current relief in ASU 2020-04 may not cover a period of time during which a significant number of modifications may take place, in December 2022, the FASB issued ASU 2022-06, Deferral of the Sunset Date of Topic 848, which deferred the sunset date of Topic 848 from December 31, 2022, to December 31, 2024.

Effective July 1, 2023 we amended our current contractual arrangements and hedging relationships from LIBOR to various other reference rates. The replacement of LIBOR did not have a material impact on our consolidated financial statements and related disclosures.

NOTE 3—REVENUE RECOGNITION

Remaining Performance Obligations (“RPOs”)

Our RPOs, by segment, were as follows:

	December 31, 2023		December 31, 2022	
	(Dollars in millions)		(Dollars in millions)	
Low-Carbon Solutions	\$	8,325	42%	\$ 6,673 37%
Offshore Middle East		7,547	38%	6,819 38%
Subsea and Floating Facilities		2,606	13%	2,956 16%
CB&I		1,452	7%	1,609 9%
Total	\$	19,930	100%	\$ 18,057 100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Our RPOs increased by approximately \$1.9 billion from December 31, 2022 to December 31, 2023, due to new awards and change orders of approximately \$9.8 billion offset by operating revenues of approximately \$7.9 billion, in each case recognized during the year ended December 31, 2023.

Of the December 31, 2023 RPOs, we expect to recognize revenues as follows:

	2024	2025	Thereafter
	(In millions)		
Total RPOs	6,802	5,031	8,097

Revenue Disaggregation

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

	Year ended December 31,	
	2023	2022
	(In millions)	
Revenues by contract type:		
Fixed price ⁽¹⁾	\$ 6,161	\$ 4,634
Hybrid	1,645	1,289
Reimbursable	89	262
Unit-basis and other	48	61
	\$ 7,943	\$ 6,246
Other ⁽²⁾	(196)	-
	\$ 7,747	\$ 6,246
Revenues by recognition methodology:		
Over time	\$ 7,936	\$ 6,238
At a point in time	7	8
	7,943	6,246
Other ⁽²⁾	(196)	-
	\$ 7,747	\$ 6,246

- (1) The fixed price revenue increase was primarily attributable to our activity in the Offshore Middle East segment, in line with the market for that region.
- (2) The reduction in revenue was associated with the \$196 million reserve, recognized in connection with the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization*, under “Litigation Matters”.

Revenue recognition

Unapproved Change Orders—As of December 31, 2023, we had unapproved change orders included in transaction prices for our projects aggregating to approximately \$1,148 million, of which approximately \$499 million was included in our RPO balance. Our unapproved change orders total \$597 million for our Offshore Middle East segment, \$463 million for our Low-Carbon Solutions segment, and \$88 million for our Subsea and Floating Facilities segment. Approximately 69% of unapproved change orders as of December 31, 2023 were associated with our top three customers.

Net additions to our unapproved change orders during the year ended December 31, 2023, totaled \$805 million and included \$472 million in our Offshore Middle East segment and \$350 million in our Low-Carbon Solutions segment, including \$126 million on an LNG export facility contract in Canada and \$109 million on an onshore oil field development project in Republic of Uganda, partially offset by a \$17 million net reduction in unapproved change orders in our Subsea and Floating Facilities segment.

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

A portion of our unapproved change orders relate to provisional costs within our hybrid contracts which represent amounts that are provided for by our contract and are pending formal change order execution. As the costs have been agreed by the customer, the risks associated with uncertainty in the ultimate timing and amount of recovery are mitigated. Unapproved change orders attributable to provisional costs increased by \$126 million during the year ended December 31, 2023, and totaled \$151 million as of December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A portion of our unapproved change orders relate to claims against our customers for recovery of the impact the Russia-Ukraine conflict has had on our projects. While we have concluded recovery of these amounts to be probable, we have seen delays in bringing these claims to resolution, resulting in uncertainty in the ultimate timing and amount of recovery.

As of December 31, 2022, we had unapproved change orders included in transaction prices for our projects aggregating to approximately \$343 million, of which approximately \$123 million was included in our RPO balance.

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

As of December 31, 2022, we had incentives included in transaction prices for our projects aggregated to approximately \$100 million, of which approximately \$47 million was included in our RPO balance.

Loss projects—Our accrual of provisions for estimated losses on our active and substantially completed projects as of December 31, 2023 and December 31, 2022 is included in the “Advance billings on contracts” account and was approximately \$290 million and \$79 million, respectively. Losses were driven by degradation in fabrication and construction productivity, lost time due to weather and safety standdowns, supply chain performance, increased subcontractor costs, the impact of COVID-19 pandemic on our operations during 2020 and 2021, and financial constraints, all of which necessitated schedule prolongation and changes to certain marine campaigns. Loss provision as of December 31, 2023, included the \$196 million reserve recognized in connection with the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization*, under “Litigation Matters”, and approximately \$47.5 million accrued in connection with the Baystar projects, discussed in Note 17, *Commitments and Contingencies*. On a weighted-average basis as of December 31, 2023, our loss projects were approximately 97% complete.

Other—Revenue recognized during the year ended December 31, 2023 attributable to Advance billings on contracts balance outstanding as of December 31, 2022, was approximately \$981 million. Revenue recognized during the year ended December 31, 2022 attributable to Advance billings on contracts balance outstanding as of December 31, 2021, was approximately \$934 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 many 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, 2023 and 2022, we determined that we had approximately \$663 million and \$494 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 \$51 million and \$3 million as reductions in transaction prices related to such exposure as of December 31, 2023 and 2022, 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 4—PROJECT CHANGES IN ESTIMATES

Our 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, 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, incurred in the first half of 2023, discussed in Note 17, *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, expected to be substantially complete in the first half of 2024, resulting from weather downtime during installation campaigns and prolongation costs, 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. These changes were partially offset by improvements in our CB&I segment during 2023 of approximately \$9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

Segment operating results for the year ended December 31, 2022 were impacted by net unfavorable changes in estimates of (1) approximately \$86 million, in our Low Carbon Solutions segment, primarily resulting from schedule prolongation, equipment failures, increased commissioning and subcontractor costs incurred during the first three quarters of 2022 on a petrochemical project in Bayport, Texas, which reached mechanical completion in early March 2023; unfavorable changes in our Low Carbon Solutions segment were partially offset by a settlement on a substantially complete EPCI project in Russia; (2) approximately \$52 million in one Offshore Middle East project, primarily resulting from excessive weather downtime during installation campaigns and deterioration of productivity, incurred during the second quarter of 2022 partially offset by associated recoveries on one of our projects in that region; and (3) approximately \$31 million on several projects in our Subsea and Floating Facilities segment, including charges associated with a delayed marine campaign on an EPCI contract for the offshore natural gas project in Mauritania and Senegal. These changes were partially offset by improvements in our CB&I segment during 2022 of approximately \$22 million.

NOTE 5—ACCOUNTS RECEIVABLE—TRADE, NET

Our trade receivable balances included the following:

	December 31, 2023	December 31, 2022
	(In millions)	(In millions)
Contract receivables	\$ 638	\$ 588
Retainages ⁽¹⁾	101	94
Less allowances	(19)	(19)
Accounts receivable—trade, net	\$ 720	\$ 663

- ⁽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 \$167 million as of December 31, 2023, of which \$105 million and \$62 million are expected to be collected in 2025 and thereafter, respectively.

NOTE 6—INTANGIBLE ASSETS

Upon emergence from bankruptcy, the reorganization value derived from the range of enterprise values associated with the Plan of Reorganization was allocated to MIL's identifiable tangible and intangible assets and liabilities based on their fair values.

The components of project-related intangible assets and liabilities were as follows:

	Weighted Average Useful Life (In years)	December 31, 2023			December 31, 2022		
		Gross carrying value	Accumulated amortization (In millions)	Net carrying value	Gross carrying value	Accumulated amortization (In millions)	Net carrying value
Project-related intangible assets	3.5	\$ 108	\$ (108)	\$ -	\$ 108	\$ (95)	\$ 13
Project-related intangible liabilities	3.5	(101)	101	-	(101)	79	(22)
		\$ 7	\$ (7)	\$ -	\$ 7	\$ (16)	\$ (9)

The components of other intangible assets were as follows:

	Weighted Average Useful Life (In years)	December 31, 2023			December 31, 2022		
		Gross carrying	Accumulated	Net carrying	Gross carrying	Accumulated	Net carrying
		value	amortization	value	value	amortization	value
			(In millions)			(In millions)	
Process technologies	11	\$ 261	\$ (91)	\$ 170	\$ 261	\$ (65)	\$ 196
Trade names	10	419	(147)	272	419	(104)	315
		\$ 680	\$ (238)	\$ 442	\$ 680	\$ (169)	\$ 511

Amortization expense of other intangible assets is anticipated to be \$68 million for each of the years ending December 31, 2024, 2025, 2026 and 2027 and \$59 million for the year ending December 31, 2028.

NOTE 7—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 consortiums that have been deemed to be VIEs where we are not the primary beneficiary and are accounted for using proportionate consolidation:

- *McDermott/CTCI*—We have a consortium with a unit of CTCI Corporation (“CTCI”) (McDermott–42.5%/CTCI–57.5%) to perform EPC work for a mono-ethylene glycol facility in Gregory, Texas. This project is substantially complete.
- *CCS JV s.c.a.r.l.*—We have a joint venture with Saipem and Chiyoda (McDermott–24.983%/Saipem–74.949%/Chiyoda–0.068%) 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. McDermott continues to work with the customer, our co-venturers in CCS JV, and our subcontractors and vendors to evaluate the project schedule and potential impacts of the suspension and related events. As of the date of this report, the contract has not been terminated. We continue to work with the customer to finalize the total costs associated with the suspension, which have been reimbursable. During the years ended December 31, 2023 and 2022, we recognized approximately \$67 million and \$49 million, respectively, in revenues related to the suspension. This project was approximately 27% complete at the time of suspension. The percentage of completion could change based upon any revisions to the total project cost once the project resumes. As of December 31, 2023, the RPOs associated with the project were approximately \$1.9 billion.

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

	December 31, 2023	December 31, 2022
	(In millions)	
Current assets	\$ 114	\$ 145
Non-current assets	1	1
Total assets	\$ 115	\$ 146
Current liabilities	\$ 139	\$ 131

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, 2023 and 2022 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/Zachry/Chiyoda—We have a consortium with Zachry and Chiyoda to perform EPC work for a natural gas liquefaction facility in Sabine Pass, Texas. The three parties share equal voting interests in the consortium. This primary consortium divides the work into separate portions that are performed: jointly by the parties as partners, by each party individually, and by a separate consortium comprised of Zachry and McDermott. The primary consortium agreement protects McDermott from exposure to increases in overall project costs arising in other parties’ scopes of work and from increased quantities due to engineering (another party’s scope). McDermott’s exposure to significant increases in the overall cost of the project is thus less than in a traditional joint venture. However, the parties have joint and several liability toward the customer, therefore our contractual exposure significantly exceeds that which is related to our scope of work. As of December 31, 2023, the project was approximately 72% complete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

McDermott's December 31, 2023 position incorporates our current assessment of the project's costs and schedule, including consideration of the consortium's schedule re-baseline and ongoing optimization efforts. Based upon discussions among the parties to the consortium, the parties have agreed on the allocation of increased cost under the consortium agreement. The resulting increase in our share of cost on the project is reflected in our project estimate as of December 31, 2023. During the fourth quarter of 2023, the consortium finalized a settlement agreement with the customer to resolve project cost increases primarily related to equipment, wages and other increases, which closed out certain previously recognized unapproved change orders. As of December 31, 2023, we did not have unapproved change orders included in transaction prices associated with this project.

The December 2023 agreement does not entirely address the consortium's near-term liquidity concerns. McDermott is working with the client and consortium partners to manage the cash flow constraints. If the client or any members of the consortium are unable to manage the near-term cash flow constraints, operating results and our liquidity could be adversely affected.

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

	December 31, 2023	December 31, 2022
	(In millions)	
Current assets ⁽¹⁾	\$ 126	\$ 60
Non-current assets	24	2
Total assets	\$ 150	\$ 62
Current liabilities	\$ 137	\$ 107

- ⁽¹⁾ Includes approximately \$3 million and \$14 million of cash and cash equivalents as of December 31, 2023 and 2022, respectively.

Equity Method Joint Ventures

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

- Lummus Technology Holdings I, LLC** (within our Corporate segment)—On June 30, 2020, we completed the sale of Lummus Technology (primarily represented by our former Technology reporting segment) and also entered into a strategic agreement (the "Strategic Agreement") with Lummus Technology and the buyer. The Strategic Agreement creates opportunities for future collaboration and will allow us to use legacy and new Lummus technologies in certain customer contracts and allow the parties to enter into certain joint opportunities in the future. In accordance with the sale agreement, we had the option to retain a 10% common equity ownership in the Lummus Technology business which we exercised on January 4, 2021 and acquired 10% of the common equity in Lummus Technology Holdings I, LLC, a holding company of Lummus Technology LLC. In addition, between the second and fifth anniversary of the Strategic Agreement effective date or immediately prior to the consummation of the Lummus Technology initial public offering ("IPO") we would have the one-time option to purchase a pro rata portion of common equity and preferred equity in the joint partnership in order to increase our ownership interest up to a maximum of 25% (the "Additional Option"). In the event we do not exercise the Additional Option in full (*i.e.*, to increase the ownership interest to the maximum of 25%) prior to the occurrence of an IPO or five years following the Strategic Agreement effective date, whichever occurs earlier, the buyer will have the right to purchase all of our outstanding interests in the Joint Partnership at a price that will provide an internal rate of return of 12% calculated on the implied equity value of the interest held by us as of the Strategic Agreement effective date (the "Buy-back Option"). The Buy-back Option does not expire. As of December 31, 2023 and December 31, 2022, the Additional Option was approximately \$22 million (included in "Other non-current assets"). The fair value of the Buy-back Option was determined not to be significant. This joint venture was not a VIE as of December 31, 2023.
- 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, 2023 and 2022, 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, 2023.
- *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, 2023.
- *Qatar Fabrication Company* (within our Offshore 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 April 20, 2022, we sold our ownership interest in the Net Power LLC, a joint venture established to commercialize a new natural gas power generation system for approximately \$220 million in cash. Transaction costs associated with the sale were approximately \$3 million. The carrying value of this investment was insignificant and, accordingly, during the second quarter of 2022 we recognized approximately \$217 million gain from the disposal of this joint venture.

Consolidated Joint Ventures

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

- *McDermott/Kentz*—We have a venture with Kentz Engineers & Constructors, a unit of SNC-Lavalin Group (“Kentz”) (McDermott–65%/Kentz–35%), to perform the structural, mechanical, piping, electrical and instrumentation work on, and to provide commissioning support for, three LNG trains, including associated utilities and a gas processing and compression plant, for 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.

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, 2023	December 31, 2022
	(In millions)	
Current assets	\$ 10	\$ 14
Total assets	\$ 10	\$ 14
Current liabilities	\$ 44	\$ 43

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8—SUPPLEMENTAL BALANCE SHEET DETAILS

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

	December 31, 2023	December 31, 2022
	(In millions)	
Cash and cash equivalents	\$ 747	\$ 785
Restricted cash and cash equivalents ⁽¹⁾	71	19
Total cash, cash equivalents and restricted cash reported in the Statements of Cash Flows	\$ 818	\$ 804

- ⁽¹⁾ 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 \$27 million and \$4.5 million held as additional cash security and cash collateral, respectively, under the uncommitted bilateral credit facilities, discussed in Note 9, *Debt*. Restricted cash as of December 31, 2022, was primarily associated with cash collateral under the uncommitted bilateral credit facilities.

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

	December 31, 2023	December 31, 2022
	(In millions)	
Property, plant and equipment		
Marine vessels	\$ 811	\$ 790
Construction and other equipment	181	154
Assets under construction	73	67
Buildings	61	60
Land	39	39
Finance lease right-of-use assets	12	-
Other	123	123
Total property, plant and equipment	1,300	1,233
Accumulated depreciation ⁽¹⁾	(256)	(182)
Property, plant and equipment, net	\$ 1,044	\$ 1,051
Accrued liabilities		
Accrued contract costs	\$ 1,027	\$ 647
Advances from equity method and proportionally consolidated joint ventures and consortiums ⁽²⁾	82	65
Income taxes payable	92	67
Other accrued non-income taxes	65	40
Finance lease obligations	4	-
Other accrued liabilities ⁽³⁾	358	373
Accrued liabilities	\$ 1,628	\$ 1,192
Other non-current liabilities		
Pension, post-retirement medical and other employee benefit obligations	\$ 263	\$ 219
Self-insurance reserve	42	67
Income tax reserves	77	90
Long-term finance lease obligations	4	-
Other	56	77
Other non-current liabilities	\$ 442	\$ 453

- ⁽¹⁾ Our depreciation expense was approximately \$79 million and \$73 million in 2023 and 2022, respectively.
- ⁽²⁾ Represents advances from our joint ventures and consortiums in which we participate. See Note 7, *Joint Venture and Consortium Arrangements*, for further discussion.
- ⁽³⁾ Includes various accruals individually less than 5% of total current liabilities.

NOTE 9—DEBT

The carrying values of our debt obligations were as follows:

	December 31, 2023	December 31, 2022
	(In millions)	
Current debt		
Amazon financing facility		
Financing facility	\$ 22	\$ 22
Facility issuance costs	(2)	(2)
Total current debt	\$ 20	\$ 20
Long-term debt		
Exit Facilities		
Term Loan Exit Facility	\$ 525	\$ 492
Make-Whole Exit Facility	44	42
Tanks Term Loan Facility		
Term Loan	229	-
Term loan issuance costs	(5)	-
Amazon financing facility		
Financing facility	191	217
Facility issuance costs	(15)	(20)
Total long-term debt	\$ 969	\$ 731

Exit Facilities and Escrow LC Facility

On June 30, 2020 (the “Effective Date”), 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 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 \$303.6 million and the cash deposited by the participants in the segregated escrow account was reduced from approximately \$390 million to approximately \$318.8 million. We do not reflect the amount in the escrow account as an asset in our financial statements.

As discussed in Note 1, *Nature of Operations and Organization*, on September 8, 2023, (i) the Company completed a structural reorganization and ringfencing of certain subsidiaries conducting storage tanks business (“Tanks Subsidiaries”) which were designated as unrestricted subsidiaries under the Exit Credit 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 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.

As of December 31, 2023, the debt under the Exit Facilities consisted of:

- Term Loan Exit Facility recorded at the fair value of \$417.5 million as of June 30, 2020, further adjusted for the accretion and accrued paid-in-kind (“PIK”) interest. This facility originally matured in June 2025 and interest is based on McDermott’s advanced election of either (1) the adjusted Term SOFR plus a margin of 4.00% 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 3.00%. Effective October 1, 2020, instead of paying the full interest amount in cash, we have elected 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) pay PIK interest in an amount equal to 3.00% per year. The PIK interest was added to the unpaid principal balance of the Term Loan Exit Facility.
- Make-Whole Exit Facility, rolled up from the DIP Term Facility and recorded at the fair value of \$38 million as of June 30, 2020, further adjusted for the accretion. This facility originally matured in June 2024 and interest 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%.

As of December 31, 2023, the total amount of letters of credit capacity under the LC Exit Facility, Escrow LC Facility, Tanks Senior LC Facility and Tanks Escrow Credit Agreement (defined below) was \$2.3 billion. As of December 31, 2022, the total amount of letters of credit capacity under the LC Exit Facilities, Roll-Off LC Facilities and Escrow LC Facility was \$2.3 billion.

Each letter of credit issued under the Super Senior LC Exit Facility will accrue 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 will accrue 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 Exit Facility and Senior LC Exit Facility will also accrue 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 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 will accrue a fronting fee of 1.50% per annum. In addition, in connection with the entry into the Escrow LC Credit Agreement, the participants received preference shares, par value US\$0.001 per share, each in the capital of the Company designated as “Series A Preference Shares” (the “Series A Preference Shares”) (described in Note 16, *Redeemable Preference Shares*).

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, and effective September 8, 2023, the Tanks Subsidiaries.

As of December 31, 2023, the Exit Credit Agreement requires us to comply with the following financial covenants:

- 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 1.60:1.00 for any four fiscal quarter period ending from September 30, 2023 through December 31, 2023. Testing of the Fixed Charge Coverage Ratio covenant has not been triggered as of December 31, 2023.
- Liquidity—Commencing September 30, 2023, we were required to maintain minimum Liquidity of not less than \$100 million as of December 31, 2023.

As of December 31, 2023, we were in compliance with the Exit Credit Agreement financial covenant requirements.

As discussed in Note 1, *Nature of Operations and Organization*, 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 amends 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 are extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility is extended to December 31, 2027. On the Amend and Extend Closing Date, the letter of credit commitment amounts of the Super Senior LC Exit Facility, the Senior LC Exit Facility and the Escrow LC Facility were reduced to \$509.6 million, \$1,134 million and \$299.8 million respectively, and were further reduced to \$496.5 million, \$1,105 million and \$292 million, respectively, as of March 31, 2024. The combined capacity under these three facilities will be further reduced over the next two years to \$1,494 million by December 31, 2026. 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. On March 28, 2024, the \$95 million standby letter of credit previously issued to Reficar under the Senior Exit LC Facility was drawn and is now deemed to be 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 shall accrue interest at a rate of SOFR plus 7.50% per annum and shall have a maturity date of June 30, 2027. As discussed in Note 1, *Nature of Operations and Organization*, under “Legal Matters”, in accordance with ASC 855, *Subsequent Events*, the \$95 million was recorded as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within “Advance billings on contracts” in our Consolidated Balance Sheets as of December 31, 2023. On March 28, 2024 we reclassified the \$95 million from the loss provision within the “Advance billings on contracts” account to the “Long-term debt” account in our subsequent Consolidated Balance Sheets.

Pursuant to the A&E Amendment, the Company will be required to 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; (ii) \$200 million at the end of each fiscal quarter starting December 2025. The A&E Amendment has also amended the fixed charge coverage ratio as follows: 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.

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 \$7.5 million and for which the Company shall make additional deposits. 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.

In connection with the amendment and extension of our financing facilities we incurred and (1) capitalized approximately \$32 million in fees within Other non-current assets in our Consolidated Balance Sheets as of December 31, 2023, which will be amortized over the term of the amended and extended facilities starting on the Amend and Extend Closing Date; and (2) expensed approximately \$10 million in fees within Transaction costs in our consolidated Statement of Operations for the year ended December 31, 2023.

Tanks Credit Facilities

On September 8, 2023, our 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, our 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 (to be 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 do 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 over the terms of the facilities. 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 have a separate borrower, guarantor group and collateral from the borrower, guarantor group and collateral under the Exit Credit Agreement and Escrow LC Facility.

As of December 31, 2023, the long-term debt of the Tanks Credit Facilities consisted of the Tanks Term Loan Facility recorded at the fair value of \$213 million as of September 8, 2023, further adjusted for the accretion and accrued PIK interest. Principal under this facility, including the repayment premium of 12.5%, matures on December 31, 2026. Interest is based on our advanced election of either (1) the adjusted Term SOFR plus a margin of 7.50% 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 6.50%. Effective September 8, 2023, we have elected to accrue PIK interest based on the adjusted Term SOFR plus a margin of 7.50% per year. The PIK interest is added to the unpaid principal balance of the Tanks Term Loan.

Each letter of credit issued under the Tanks Senior LC Facility will accrue a participation fee at a rate equal to 4.75% per annum of the face amount (to be increased to 6.50% after December 8, 2024, 7.50% after June 8, 2025 and 8.50% after December 8, 2025). Each letter of credit issued under the Tanks Senior LC Facility will also accrue 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 Tanks Senior LC 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 Tanks Escrow LC Facility will accrue a participation fee at a rate equal to adjusted Term SOFR plus 4.75% per annum of the face amount (to be increased to adjusted term SOFR plus 6.50% after December 8, 2024, adjusted Term SOFR plus 7.50% after June 8, 2025 and adjusted Term SOFR plus 8.50% after December 8, 2025). Each letter of credit issued under the Tanks Escrow LC Facility will accrue a fronting fee of 1.50% per annum.

As consideration for entering into the Tanks Credit Facilities, we issued approximately 24,675 shares of Series A Preference Shares and approximately 65.4 million of our ordinary shares to the participants of such facilities.

The indebtedness and other obligations under the Tanks Credit Facilities are unconditionally guaranteed by CB&I STS Holdings LLC, a whole owned subsidiary of MIL, and substantially all of its direct and indirect wholly owned subsidiaries or affiliates, other than certain immaterial subsidiaries.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 beginning September 30, 2022 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 includes 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, 2023, approximately \$213 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, 2023, 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. Given the uncertainty in our business arising from the Reficar matter and the ongoing efforts to amend and extend our committed financing facilities we have been unable to issue new material letters of credit from our uncommitted facilities until the Amend and Extend Closing Date. As of December 31, 2023, we had approximately \$4.5 million of cash restricted to secure reimbursement obligations in respect of letters of credit issued under the Uncommitted Facilities.

NOTE 10—LEASES

The following tables summarize our leased assets and lease liability obligations:

		December 31, 2023	December 31, 2022
Leases	Classification	(In millions)	
Assets			
Operating leases	Operating lease right-of-use assets	\$ 182	\$ 197
Finance leases	Property, plant and equipment, net	12	-
	Total leased assets	\$ 194	\$ 197
Liabilities			
Current			
Operating leases	Current portion of long-term lease obligations	65	66
Finance leases	Accrued liabilities	4	-
		69	66
Noncurrent			
Operating leases	Long-term operating lease obligations	166	184
Finance leases	Other non-current liabilities	4	-
		170	184
	Total lease liabilities	\$ 239	\$ 250

Our operating leases primarily consist of leases for administrative offices, fabrication yards and equipment. Our finance leases as of December 31, 2023 related to leased equipment, where we have an option to acquire the assets at the end of the lease term.

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

Classification in Statement of Operations	Year ended December 31,	
	2023	2022
	(In millions)	
SG&A Expenses	\$ 32	\$ 33
Cost of operations	61	67
Net lease cost ⁽¹⁾	\$ 93	\$ 100

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 will maintain the primary obligation under the original lease, which is classified as an operating lease in accordance with ASC 842, *Leases*. The sublease term commenced in May 2022 and will terminate in May 2036. In connection with the sublease agreement, during 2023 we recognized approximately \$7 million of sublease income in selling, general and administrative expenses in our Consolidated Statements of Operations.

The weighted-average remaining lease terms on our operating and finance leases as of December 31, 2023 were approximately 7 and 10 years, respectively. The weighted-average discount rates used to determine the operating and finance lease liabilities as of December 31, 2023 were approximately 17% and 14%, respectively.

Future minimum lease payments for our operating and finance leases as of December 31, 2023 were as follows:

	Operating Leases	Finance Leases
	(In millions)	
2024	\$ 75	\$ 5
2025	51	3
2026	37	1
2027	31	-
2028	28	-
After 2028	151	-
Total lease payments	373	9
Less: Interest	(142)	(1)
Present value of lease liabilities	\$ 231	\$ 8

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

	Year ended December 31,	
	2023	2022
	(In millions)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 70	\$ 64
Financing cash flows from finance leases	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	15	28
Right-of-use assets obtained in exchange for new finance lease liabilities	8	-

NOTE 11—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. Employer matching ceased effective July 1, 2020 and was subsequently reestablished effective January 1, 2022. Expense associated with these plans was approximately \$12 million and \$14 million for the year ended December 31, 2023 and 2022, respectively. We also provide benefits under our Director and Executive Deferred Compensation Plan, which is a non-qualified defined contribution plan. In addition, we sponsor multiple defined contribution plans that cover eligible employees for which we do not provide contributions. The cost of these plans was not significant to us in 2023.

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.

In December 2021, we resolved to terminate our defined benefit pension plan in the United States effective April 30, 2022. On January 31, 2023, we entered into a commitment agreement with The Prudential Insurance Company of America (“Prudential”) to purchase an irrevocable group annuity contract and transfer approximately \$337 million of the pension plan obligations. Under the agreement, Prudential assumed responsibility for pension benefits and annuity administration for approximately 3,898 retirees and beneficiaries, with no changes to the amount or timing of monthly retirement benefit payments. This transaction closed on February 7, 2023 and was funded by the pension plan assets. During the year ended December 31, 2023, we recognized approximately \$11 million settlement gain associated with the plan termination.

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,	
	2023	2022
	(In millions)	
U.S. pension plans:		
Interest cost	\$ 5	\$ 12
Expected return on plan assets	(5)	(19)
Settlement gain	(11)	-
Actuarial mark to market loss ⁽¹⁾	-	16
Net periodic benefit (income) loss	<u>\$ (11)</u>	<u>\$ 9</u>
Non-U.S. pension plans:		
Interest cost	\$ 23	\$ 10
Expected return on plan assets	(20)	(14)
Other ⁽²⁾	4	-
Actuarial mark to market loss ⁽¹⁾	52	24
Net periodic benefit loss	<u>\$ 59</u>	<u>\$ 20</u>
Other postretirement plans:		
Actuarial mark to market (gain) ⁽¹⁾	\$ -	\$ (3)
Net periodic benefit (income)	<u>\$ -</u>	<u>\$ (3)</u>

⁽¹⁾ 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 United Kingdom plans, \$24 million and \$28 million, respectively. Actuarial mark to market loss for the year ended December 31, 2022 was \$37 million and primarily associated with losses in the United Kingdom and United States plans, \$23 million and \$13 million, respectively.

⁽²⁾ 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	U.S. Pension Plans		Non-U.S. Pension Plans	
	Year ended	Year ended	Year ended	Year ended
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(In millions)		(In millions)	
Amounts recognized in balance sheet consist of:				
Prepaid benefit cost within Other current assets	\$ 1	\$ 28	\$ -	\$ -
Prepaid benefit cost within Other non-current assets	-	-	4	28
Accrued benefit cost within accrued liabilities	(1)	(1)	-	-
Accrued benefit cost within Other non-current liabilities	(9)	(10)	(136)	(101)
Net funded (unfunded) status recognized	\$ (9)	\$ 17	\$ (132)	\$ (73)

Our postretirement plans were in underfunded position as of December 31, 2023 and 2022 and were \$13 million and \$14 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	
	2023	2022	2023	2022
	(In millions)		(In millions)	
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	\$ 353	\$ 474	\$ 531	\$ 818
Interest cost	5	12	23	10
Actuarial loss (gain)	-	(76)	60	(209)
Benefits paid	(1)	(35)	(31)	(31)
Settlements and curtailments	(341)	(22)	-	-
Prior service costs	-	-	2	-
Currency translation	-	-	23	(57)
Projected benefit obligation at end of year	16	353	608	531
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 370	\$ 499	\$ 458	\$ 759
Actual return (loss) on plan assets	1	(73)	24	(219)
Company contributions	1	1	7	6
Benefits paid	(1)	(35)	(31)	(31)
Settlements and curtailments	(364)	(22)	-	-
Currency translation	-	-	18	(57)
Fair value of plan assets at end of year	7	370	476	458
Net funded (unfunded) status	\$ (9)	\$ 17	\$ (132)	\$ (73)

Accumulated Benefit Obligations—As of December 31, 2023 and 2022, the accumulated benefit obligation for all defined benefit pension plans was \$625 million and \$885 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	Year ended	Year ended	Year ended
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	(In millions)		(In millions)	
Projected benefit obligation	\$ 17	\$ 17	\$ 500	\$ 349
Accumulated benefit obligation	17	17	500	349
Fair value of plan assets	7	6	365	246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
	2023	2022	2023	2022
Weighted average assumptions used to determine net periodic benefit obligations at December 31,				
Discount rate	5.19%	4.93%	3.43%	4.08%
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	3.77%	2.65%	0.20%	0.26%
Expected return on plan assets ⁽¹⁾	3.00%	3.85%	4.02%	4.11%

- ⁽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, 2023 and 2022.

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 2023 ⁽¹⁾	Pension Benefit Obligation at December 31, 2023
	(in millions)	
25-basis-point change in discount rate	15	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 2023.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the fair values of our plan assets by investment category and valuation hierarchy level as of December 31, 2023 and 2022:

Asset category	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Fixed income securities:				
U.S. fixed income securities	\$ -	\$ 2	\$ -	\$ 2
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⁾	-	46	-	46
Emerging markets growth funds	-	1	-	1
U.S. equity funds	-	4	-	4
Other investments:				
Asset allocation funds ⁽⁶⁾	-	6	-	6
Cash and accrued items	11	-	-	11
Insurance buy-in policies ⁽⁷⁾	-	-	207	207
Total Investments	\$ 11	\$ 265	\$ 207	\$ 483

Asset category	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Fixed income securities:				
U.S. fixed income securities	\$ 205	\$ 136	\$ -	\$ 341
International government bonds ⁽¹⁾	-	127	-	127
International corporate bonds ⁽²⁾	-	115	12	127
International mortgage funds ⁽³⁾	-	42	-	42
All other fixed income securities ⁽⁴⁾	-	53	-	53
Equity securities:				
International funds ⁽⁵⁾	-	42	-	42
Emerging markets growth funds	-	2	-	2
U.S. equity funds	-	3	-	3
Other investments:				
Asset allocation funds ⁽⁶⁾	-	30	-	30
Cash and accrued items	61	-	-	61
Total Investments	\$ 266	\$ 550	\$ 12	\$ 828

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
	(in millions)	
Expected employer contributions to trusts of defined benefit plans:		
2024	\$ 1	\$ 1
Expected benefit payments:		
2024	\$ 2	\$ 33
2025	1	33
2026	1	33
2027	1	33
2028	1	33
2029-2033	6	164

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 6.75% in 2024, down to 5.00% in 2031 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 2023 and the accumulated postretirement benefit obligation as of December 31, 2023.

Multi-Employer Pension Plans

We contribute to certain union sponsored multi-employer defined benefit pension plans in the United States and Canada, all resulting from the acquired CB&I operations. Benefits under these plans are generally based upon years of service and compensation levels. Under U.S. legislation regarding such pension plans, the risks of participation are different than single-employer pension plans as (1) assets contributed to the plan by a company may be used to provide benefits to participants of other companies, (2) if a participating company discontinues contributions to a plan, other participating companies may have to cover any unfunded liability that may exist, and (3) a company is required to continue funding its proportionate share of a plan's unfunded vested benefits in the event of withdrawal (as defined by the legislation) from a plan or plan termination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table provides additional information regarding our significant multi-employer defined benefit pension plans, including the funding level of each plan (or zone status, as defined by the Pension Protection Act), whether actions to improve the funding level of the plan have been implemented, where required (a funding improvement plan (“FIP”) or rehabilitation plan (“RP”)), and our contributions to each plan and total contributions for 2023 and 2022, among other disclosures.

Pension Fund	EIN/Plan Number	Plan Year End	Pension Protection Act ⁽¹⁾		FIP/RP Plan ⁽¹⁾	Total Company Contributions ⁽²⁾		Expiration of Collective-Bargaining Agreement ^{(3) (4)}
			2023	2022		2023	2022	
			(% Funded)			(In millions)		
Boilermaker-Blacksmith National Pension Trust ⁽⁵⁾	48-6168020-001	12/31	Less Than 65%	65-80%	Yes	\$ 2	\$ 3	Various
Boilermakers' National Pension Plan (Canada)	366708	12/31	N/A	N/A	N/A	1	3	04/2019
All Other ⁽⁶⁾						-	-	
Total						\$ 3	\$ 6	

- (1) Pension Protection Act Zone Status and FIP/RP plans are applicable to our U.S.-registered plans only, as these terms are not defined within Canadian pension legislation. In the United States, plans funded less than 65% are in the red zone, plans funded at least 65%, but less than 80%, are in the yellow zone, and plans funded at least 80% are in the green zone. The requirement for FIP or RP plans in the United States is based on the funding level or zone status of the applicable plan.
- (2) Our 2023 contributions as a percentage of total plan contributions were not available for any of our plans. The level of our contributions to each plan noted above varies from period to period based upon the level of work being performed that is covered under the applicable collective bargaining agreement.
- (3) The expiration dates of our labor agreements associated with the plans noted as “Various” vary based upon the duration of the applicable projects.
- (4) If a revised collective-bargaining agreement has not been concluded before the expiration date of this Agreement, it may be extended beyond that date to whatever extent may be mutually agreed to between the Union and the BCA of Alberta, or as provided by applicable laws, statutes or regulations.
- (5) The plans utilized an amortization extension. Additionally, in March 2023 the Trustees adopted a rehabilitation plan to emerge from critical status by 2046. The fund’s rehabilitation period begins on January 1, 2026 for the plan.
- (6) Our remaining contributions in 2023 to various U.S. and Canadian plans were individually immaterial.

We also contribute to our multi-employer plans for annuity benefits covered under the defined contribution portion of the plans as well as health benefits. In 2023, we made contributions to our multi-employer plans of \$2 million for these additional benefits.

NOTE 12—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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the fair value of our financial instruments as of December 31, 2023 and 2022 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, 2023					
	Carrying Amount	Fair Value	Level 1 (In millions)	Level 2	Level 3
Measured at fair value on recurring basis					
Forward contracts ⁽¹⁾	\$ (6)	\$ (6)	\$ -	\$ (6)	\$ -
Not measured at fair value on recurring basis					
Debt ⁽²⁾	(1,011)	(685)	-	(467)	(218)

December 31, 2022					
	Carrying Amount	Fair Value	Level 1 (In millions)	Level 2	Level 3
Measured at fair value on recurring basis					
Forward contracts ⁽¹⁾	\$ (5)	\$ (5)	\$ -	\$ (5)	\$ -
Not measured at fair value on recurring basis					
Debt ⁽²⁾	(773)	(549)	-	(295)	(254)

- (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 Term Loan Exit Facility, Make-Whole Exit Facility and Tanks Term Loan 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.

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.

In the second quarter of 2022, we subleased a portion of our corporate headquarters in Houston, Texas to a third party. We maintained the primary obligation under the original lease, which is classified as an operating lease in accordance with ASC 842, *Leases*. The sublease term commenced in May 2022 and will terminate in May 2036. In connection with the sublease commencement, we tested for the recoverability of the operating lease and associated furniture and fixtures and recorded an impairment of associated furniture and fixtures of approximately \$5 million in the second quarter of 2022. In addition, during the fourth quarter of 2022, impairment indicators were present for two of our corporate assets due to the changes in their utilization plans, which resulted in the recognition of approximately \$4 million impairment charge.

NOTE 13—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 \$1.5 billion as of December 31, 2023, with maturities extending through October 2024. These instruments consist of contracts to purchase or sell foreign-denominated currencies. As of December 31, 2023, the fair value of these contracts was in a net liability position totaling approximately \$2 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, 2023, in connection with these instruments, we deferred approximately \$59 million of net losses in AOCI, and we expect to reclassify approximately \$27 million of deferred losses out of AOCI by December 31, 2024, as the hedged items impact earnings.

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

	December 31, 2023	December 31, 2022 ⁽¹⁾
	(In millions)	
Other current assets	\$ 1	\$ 12
Other non-current assets	-	-
Total derivatives asset	\$ 1	\$ 12
Accrued liabilities	\$ 3	\$ 10
Other non-current liabilities	-	4
Total derivatives liability	\$ 3	\$ 14

Other current assets as of December 31, 2022 include \$3 million fair value of the swap arrangement which was designated as a cash flow and mitigated exposure associated with cash flow variability on the Term Loan Exit Facility in an aggregate notional value \$500 million. The swap arrangement expired on May 10, 2023. We will explore entering into a new interest rate swap arrangement upon conclusion of our discussions with lenders regarding the amendment and extension of our current credit facilities, discussed in Note 9, *Debt*.

Under the netting arrangements with the same party, approximately \$1 million of derivative assets were offset against the derivative liabilities.

As of December 31, 2023 and 2022, the fair value of derivatives not designated as cash flow hedges was in a net liability position totaling approximately \$4 million and \$6 million, respectively (primarily within “Accrued liabilities” in our Balance Sheet). The notional value of these derivatives was \$194 million and \$63 million as of December 31, 2023 and 2022, 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,	
	2023	2022
	(In millions)	
Amount of gain (loss) recognized in OCI		
Foreign exchange hedges	\$ (39)	\$ (79)
Interest rate hedges	-	13
Gain (loss) recognized on derivatives designated as cash flow hedges		
Foreign exchange hedges		
Cost of operations	(36)	(32)
Interest rate hedges		
Interest gain	8	7

NOTE 14—INCOME TAXES

MIL is a Bermudian 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,	
	2023	2022
	(In millions)	
U.S.:		
Current ⁽¹⁾	\$ (6)	\$ 5
Other than U.S.:		
Current ⁽²⁾	112	100
Deferred	9	(3)
	<u>\$ 115</u>	<u>\$ 102</u>

- (1) The U.S. current tax expense for the year ended December 31, 2023 consists of state taxes benefit attributable to the release of reserve for a state tax audit. The U.S. current tax expense for the year ended December 31, 2022 consisted of state taxes attributable to the sale of Net Power LLC and additional reserve for a state tax audit.
- (2) The majority of the non-U.S. current tax expense is attributable to withholding taxes, taxes accrued on unrecognized tax benefits and taxes accrued and paid under deemed profits regimes.

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

	Year ended December 31,	
	2023	2022
	(In millions)	
U.S.	\$ (268)	\$ 5
Other than U.S.	(300)	(139)
Loss before provision for income taxes	<u>\$ (568)</u>	<u>\$ (134)</u>

The following is a reconciliation from a Bermuda statutory federal tax rate of zero for the years ended December 31, 2023 and 2022 to the consolidated effective tax rates:

	Year ended December 31,	
	2023	2022
Federal statutory rate	0%	0%
Rate differentials	13%	(30%)
Change in valuation allowance for deferred tax assets - U.S.	(8%)	25%
Change in valuation allowance for deferred tax assets - others	(7%)	(42%)
Withholding tax	(8%)	(22%)
Reficar Settlement related expenses	(6%)	0%
Uncertain tax position	1%	(16%)
Nontaxable intercompany item	0%	23%
Deemed profit	(3%)	(7%)
Expired foreign tax credits	(1%)	(21%)
Malaysia tax holiday benefit	2%	5%
Other	(3%)	9%
Effective tax rate	<u>(20%)</u>	<u>(76%)</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31, 2023	December 31, 2022
	(In millions)	
Deferred tax assets:		
U.S. Federal net operating loss carryforward and other credits	\$ 373	\$ 343
Non-U.S. net operating losses	389	368
State net operating loss carryforward and other credits	171	159
Debt costs and disallowed interest	234	195
Depreciation and amortization	86	94
Allowance for doubtful accounts	51	49
Contract revenue and cost/long-term contracts	43	49
Operating lease liability	37	39
Partnership investments	31	26
Pension liability	37	22
Insurance and legal reserves	8	8
Accrued liabilities for incentive compensation	15	5
Other	-	28
Total deferred tax assets	1,475	1,385
Valuation allowance for deferred tax assets	(1,467)	(1,351)
Deferred tax assets	8	34
Deferred tax liabilities:		
Depreciation and amortization	\$ 41	\$ 43
Right of use assets	27	30
Investments in foreign subsidiaries	32	28
Other	5	20
Total deferred tax liabilities	105	121
Net deferred tax liabilities	\$ (97)	\$ (87)

As of December 31, 2023 and 2022, 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, 2023 and 2022 were approximately \$182 million and \$161 million, respectively, the reversal of which would result in withholding tax of approximately \$13.4 million and \$12.8 million, respectively. We do not foresee having to reverse the outside basis differences in 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

As of December 31, 2023, we had a VA of approximately \$1.5 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 a business combination in 2018, we incurred losses primarily resulting from goodwill impairment during years ended December 31, 2020 and 2019. Additional losses incurred in 2021 through 2023 were attributable to restructuring activities and related expenses, including Reficar legal matter. As a result, we have a cumulative consolidated loss for the three years ended December 31, 2023. Accordingly, in assessing the positive and negative evidence related to the likelihood of utilizing the U.S. and non-U.S. DTAs, and giving consideration to all such evidence, we believe we are precluded from using projections of future book income to support our DTAs because we believe the negative evidence outweighs the positive and have concluded that it is unlikely that we would utilize our DTAs as of December 31, 2023.

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

	2023	2022
	(In millions)	
Balance at beginning of period	\$ 1,351	\$ 1,335
Charged to costs and expenses	102	25
Charged to other accounts	14	(9)
Balance at end of period	\$ 1,467	\$ 1,351

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other

As of December 31, 2023, our Non-U.S., U.S. and State NOL DTAs, VAs and expiration dates were as follows:

	NOL DTA	VA	Expiration
Non-U.S.	\$ 389	\$ (389)	2024 - Unlimited
U.S.	279	(279)	Unlimited
State	170	(170)	2024 - 2043

We operate under a tax holiday in Malaysia, effective through December 31, 2025. The Malaysian tax holiday reduced our foreign income tax expense by \$11.7 million and \$6.4 million in 2023 and 2022, 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 2012.

A reconciliation of unrecognized tax benefits is as follows:

	Year ended December 31,	
	2023	2022
	(In millions)	
Balance at beginning of period	\$ 59	\$ 54
Increases based on tax positions taken in the current year	17	11
Decreases based on tax positions taken in prior years	(16)	(6)
Increases based on tax positions taken in prior years	-	-
Decreases due to lapse of applicable statute of limitation	(1)	-
Balance at end of period	\$ 59	\$ 59

Approximately \$59 million of the balance of unrecognized tax benefits at December 31, 2023 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, 2023 and 2022, we recorded liabilities of approximately \$11 million and \$23 million, respectively, for the payment of tax-related interest and penalties.

NOTE 15—STOCKHOLDERS' EQUITY AND EQUITY-BASED INCENTIVE PLANS

Ordinary shares—The changes in the number of shares outstanding were as follows:

	Outstanding shares
	(In millions)
Balance at December 31, 2021	580
Share issuance, net	8
Balance at December 31, 2022	588
Share issuance, net	67
Balance at December 31, 2023	655

On December 31, 2020, in connection with the entry into the Escrow LC Credit Agreement, discussed in Note 9, *Debt*, the participants and certain existing shareholders purchased 340 million of our ordinary shares for approximately \$146 million in cash proceeds, net of approximately \$24 million of issuance costs.

On September 8, 2023, as consideration for entering into the Tanks Credit Facilities, discussed in Note 9, *Debt*, we issued approximately 65.4 million of our ordinary shares to the participants of such facilities. The fair value of these ordinary shares as of September 8, 2023 was approximately \$32 million, which was recorded within "Capital in excess of par value" account as of December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As discussed in Note 1, *Nature of Operations and Organization*, the Reficar Resolution Agreement, among other things, provides for consideration to Reficar including \$75 million in Series B Preference Shares (as defined and described in Note 16, *Redeemable Preference Shares*) in McDermott International, Ltd that are convertible upon certain conditions into up to 19.9% of Class B non-voting ordinary shares in McDermott International, Ltd. In connection therewith, the Board and the requisite holders of ordinary shares approved the amended and restated by-laws of the Company which, among other things, (i) redesignates the ordinary shares of the Company 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) increases the authorized share capital of the Company from 800 million shares to 2,400 million shares.

Warrants—On the Effective Date, MIL issued the Warrants (Tranche A and Tranche B) to the extent required to provide for distributions to holders of the Senior Notes claims, as contemplated by the Plan of Reorganization, 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. 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 Warrant fair value was a Level 2 valuation and was estimated using the Black Scholes valuation model. 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 is exercisable. As adjusted, the exercise price for the Tranche A Warrants and the Tranche B Warrants is \$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 is 50.3 million and 55.9 million, respectively. 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. Each Warrant entitles the holder to purchase one fully paid and non-assessable ordinary share at a price equal to the exercise price.

Management Incentive Plan—Under management equity incentive plans (the “MIP”) we can award stock-based compensation, in form of restricted stock units and performance shares or units, management employees and members of our board of directors. Compensation expense associated with the MIP was approximately \$4 million and \$3 million during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the unrecognized compensation expense was approximately \$5 million and will 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 gain (loss) on derivative financial instruments ⁽¹⁾	Other	Total
	(In millions)			
December 31, 2021	\$ (12)	\$ (7)	\$ 1	\$ (18)
Other comprehensive loss before reclassification	(6)	(66)	-	(72)
Amounts reclassified from AOCI ⁽²⁾	-	25	(1)	24
Net current period other comprehensive loss	(6)	(41)	(1)	(48)
December 31, 2022	\$ (18)	\$ (48)	\$ -	\$ (66)
Other comprehensive loss before reclassification	5	(39)	(3)	(37)
Amounts reclassified from AOCI ⁽²⁾	-	28	-	28
Net current period other comprehensive loss	5	(11)	(3)	(9)
December 31, 2023	\$ (13)	\$ (59)	\$ (3)	\$ (75)

(1) Refer to Note 13, *Derivative Financial Instruments*, for additional details.

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

NOTE 16—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 Preference Shares. The fair value of 220,000 Series A Preference Shares was based on the income approach, using a calculation of the present value of future cash flows based on our financial projections. The carrying value of 220,000 shares of Series A Preference Shares was approximately \$276 million and \$214 million as of December 31, 2023 and 2022, respectively. In connection with issuance of 220,000 Series A Preference Shares we recognized \$26 million and \$26 million in Other current assets and Other non-current assets, respectively, as of December 31, 2023, and \$26 million and \$52 million in Other current assets and Other non-current assets, respectively, as of December 31, 2022. These assets are amortized into Interest expense, net through the expected redemption date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Effective March 25, 2024, holders of a majority of the liquidation preference of the Series A Preference shares approved amendments to the Certificate of Designation to permit the issuance of the Series B Preference Shares (defined and described below) and to extend the holder optional redemption date of the Series A Preference Shares from December 31, 2025 to June 30, 2028.

On September 8, 2023, as consideration for entering into the Tanks Credit Facilities, discussed in Note 9, *Debt*, we issued approximately 24,675 shares of Series A Preference Shares to the participants of such facilities. The fair value as of September 8, 2023 and carrying value as of December 31, 2023 of 24,675 shares of Series A Preference Shares was approximately \$5 million and \$6 million, respectively.

Our Series A 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 was \$1,000 per Series A Preference Share. The Series A Preference Shares are 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.

The Series A Preference Shares may be redeemed by us at any time for cash in an amount equal to the liquidation preference and any accrued and unpaid dividends, plus a premium that increases over time. The holders of our Series A Preference Shares may also require us to redeem such shares at the same price at any time following June 30, 2028. The Series A Preference Shares are subject to mandatory redemption requirements upon a change of control and other customary events. Subject to certain conditions, a redemption may be satisfied through the issuance of additional debt securities or Class A Ordinary Shares. As a result of the holders' contingent redemption rights that are outside of our control, our Redeemable Preference Shares are classified outside of stockholders' equity in the mezzanine section of the MIL Balance Sheet.

During the year ended December 31, 2023, we recorded \$39 million of accretion and \$25 million of dividends as an adjustment to the carrying value of the Series A Preference Shares and reduction to Accumulated deficit. Accretion will continue to be recorded from the date of issuance through the expected redemption date of June 30, 2028 using the effective interest method. We record a liability for dividends in the period they are declared.

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. In accordance with ASC 855, *Subsequent Events*, we recorded \$66 million representing the fair value of the Series B Preference Shares as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within "Advance billings on contracts" in our Consolidated Balance Sheets as of December 31, 2023. 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 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 *pari passu* as to dividends and payments upon liquidation with the Series A Preference 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 and at the same time that holders of Series A Preference Shares elect to redeem such Series A Preference Shares. 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 17—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.

Reficar Arbitration and Related Matters—On March 8, 2016, former CB&I customer Refineria de Cartagena S.A. (“Reficar”) filed an international arbitration proceeding against Chicago Bridge & Iron Company N.V. (now known as McDermott International Holdings B.V.); CB&I UK Limited; and CBI Colombiana S.A. (the “Defendants”) in connection with a large, cost reimbursable refinery construction project in Colombia completed by CB&I in 2015 (the “Reficar Refinery”). In the arbitration, which was initiated pursuant to the rules of the International Chamber of Commerce, Reficar sought to recover alleged cost overruns, delay impacts, and consequential damages totaling in excess of \$4.5 billion. The Company asserted a counterclaim against Reficar for approximately \$250 million for unpaid invoices. Prior to the arbitration hearings, on May 6, 2020, the SOC (the Colombian Superintendencia de Sociedades, a branch of the Colombian government), ordered the involuntary liquidation of CBI Colombiana S.A., which currently remains open pending final completion by the SOC.

Arbitration hearings were held virtually over several months in 2021. Post hearing briefs were submitted, and closing arguments were held in November 2021. On June 7, 2023, we received notice of the decision of the arbitration tribunal which found that the Defendants did not fraudulently induce Reficar to enter a reimbursable cost contract and made various rulings in favor of and against the Defendants. In full, following offsetting claims and recoveries in favor of Defendants, the arbitration panel granted Reficar net damages of approximately \$938 million plus legal costs reimbursement (net of costs awarded to Defendants) of approximately \$59 million. The Tribunal also granted Reficar interest on the damages award from December 31, 2015 (the date determined to be the liquidation of the contract) and interest on the legal costs award from the date of notice of the award (June 7, 2023) at LIBOR plus 2% (until such time as LIBOR ceases to exist, and then at SOFR plus 2%) through date of payment of the award. On June 8, 2023, McDermott International Holdings, B.V. and CB&I UK Limited filed a Petition to Vacate the award in the Southern District of New York asserting that the arbitration decision is based upon fundamental legal error and violation of due process related to procedural matters and the impact of various proceedings initiated by other agencies of the Colombian government. On August 4, 2023, Reficar filed a motion to confirm the award in the same court proceeding. On September 25, 2023, Reficar filed a Motion for Prejudgment Attachment and Disclosure of Assets. On October 10, 2023, the U.S. Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”) granted the Company’s request and issued an order granting provisional relief pursuant to the Bankruptcy Code which stayed Reficar’s Motion for Pre-Judgment Attachment as well as the cross-motions for vacatur and confirmation of the arbitration award (the “Bankruptcy Stay”). In response to the Bankruptcy Stay, on October 10, 2023, the Court for the Southern District of New York stayed all proceedings in that court. On October 16, 2023, Reficar filed a motion for relief from the Bankruptcy Stay seeking a modification from the provisional relief order solely to allow the NY Vacatur Proceedings to resume, which was denied at a hearing held on November 29, 2023. Reficar commenced proceedings to enforce the arbitration award in both the Netherlands and the U.K.; those proceedings were formally withdrawn and discontinued by Reficar following the entry into the Reficar Resolution Agreement, as discussed below. CB&I UK Limited and McDermott International Holdings B.V. compromised and discharged the Reficar arbitration award through the Restructuring Transactions detailed in Note 1, *Nature of Operations and Organization*. On February 25, 2024, the Defendants and Reficar reached an agreement to resolve, satisfy all claims alleged by and release all future claims by Reficar (the “Reficar Resolution Agreement”). Under the terms of the Reficar Resolution Agreement, on March 25, 2024, the Company created a new series of shares of the Company – Series B Preference Shares – and issued \$75 million principal amount of such Series B Preference Shares (as defined and further described in Note 16, *Redeemable Preference Shares*) to Reficar, which will accrue interest at 8.00% per annum or 8.75% upon the Company’s election to pay such interest in kind, and are convertible into 19.9% of the non-voting Class B Ordinary Shares of the Company.

As of September 30, 2023, we recorded a reserve of \$1,334 million for the Reficar matter, which was inclusive of the \$938 million damages award, \$59 million of legal costs awarded, and \$337 million in interest through September 30, 2023. Upon reaching the Reficar Resolution Agreement, in accordance with Accounting Standards Codification (“ASC”) 855, *Subsequent Events*, effective December 31, 2023, we (1) reversed the reserve of \$1,334 million; and (2) recorded a 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 16, *Redeemable Preference Shares*), (b) \$95 million letter of credit held by Reficar that will be deemed to be a borrowing under the LC Term Loans upon being drawn by Reficar (as defined and described in Note 9, *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. The reserve of \$196 million has been recognized as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within “Advance billings on contracts” in our Consolidated Balance Sheets as of December 31, 2023.

In 2017, the Contraloría General de la República (the “Contraloría”), an administrative agency of the Republic of Colombia, commenced a proceeding to assess alleged government misspending in connection with the construction and modernization of the Reficar Refinery. On April 26, 2021, the Contraloría issued its opinion that overspending occurred and multiple entities, including two of our subsidiaries (CB&I UK Limited and CB&I Colombiana, S.A.), two unrelated companies, five insurance companies, and 12 individuals, none associated with our company, were jointly and severally responsible for cost totaling approximately 2.95 trillion Colombian pesos (or approximately \$760 million as of December 31, 2023) on the project. We and other parties assert that all costs were properly incurred and spent on the project and that our two named subsidiaries are not subject to the investigatory powers or jurisdiction of the Contraloría. Our subsidiaries challenged the judgment within the Colombian court system and asserted their objections to jurisdiction and due process by filing a bilateral investment treaty arbitration proceeding. CB&I UK Limited compromised and discharged any claim by the Contraloría as well as any contribution claim arising from the other jointly and severally liable parties named in the Contraloría’s Phase 1 opinion through the Restructuring Transactions detailed in Note 1, *Nature of Operations and Organization*. As a result, we withdrew the bilateral investment treaty arbitration proceeding on April 1, 2024. The Company will resist any attempts to enforce the decision through any foreign court proceedings. The Company does not believe a risk of material loss is probable related to this matter and, accordingly, reversed the reserve for this matter as of December 31, 2023.

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 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. The matter was bifurcated, with hearings on entitlement held in November 2018. In December 2018, the tribunal issued an award on entitlement, finding that the joint venture was not overpaid for its craft labor but that certain overpayments may have been made to the joint venture for its staff labor. Hearings on the amount of damages related to the joint venture’s staff costs began in August 2020. In September 2020, the tribunal issued an interim award favorable to the joint venture, after which the respondent in the arbitration (the customer) 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. The joint venture 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. The joint venture filed an application for appeal to the High Court of Australia. The High Court of Australia heard oral argument on our application in November 2023 and granted the joint venture leave to appeal. A schedule for submissions was issued and we expect oral argument on our appeal to be set in the second or third quarter of 2024. As of December 31, 2023, we have recorded a reserve of approximately \$20 million for this matter.

Baystar Arbitrations—In March 2017 and September 2018, respectively, CB&I, LLC (“CB&I”) 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 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 denies liability for LD’s and asserted defenses and claims against Baystar for, e.g., waiver, oral modification, and owner interference. CB&I asserts and plans 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”). On June 8, 2023, CB&I successfully obtained a Temporary Restraining Order prohibiting Baystar from drawing any LCs relating to the BB3 and Cracker Project, and CB&I 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On August 10, 2023, the 55th Judicial District Court of Harris County, Texas, granted CB&I's request for temporary injunction and entered an injunction prohibiting Baystar from drawing or attempting to draw on the Barclay's LC for LDs associated with the BB3 project (the "Temporary Injunction"). Baystar subsequently filed a Notice of Appeal, seeking the reversal of the Temporary Injunction Order, dissolution of the Temporary Injunction, and remand for further adjudication. The matter was assigned to the Fourteenth Court of Appeals. The parties' briefing is complete, and the Court took the matter under submission in March 2024.

In light of the record and the evidentiary foundation for the Temporary Injunction, the Company assesses the risk of a material loss related to the BB3 Project arbitration as remote, and no amount has been accrued as of December 31, 2023 related to this matter.

On June 5, 2023, Baystar also initiated arbitration against CB&I (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 claims damage 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's subcontractor on the Cracker Project, for a total of \$422 million, and Baystar also seeks recovery of consequential damages. CB&I is assessing and will assert 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 any 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 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 the Company 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 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.

In December 2023, the parties agreed to abate the BB3 and Cracker arbitration proceedings until May 1, 2024; that agreement has been extended by the parties to September 30, 2024. The appellate proceeding regarding the Temporary Injunction is unaffected by the abatement agreements.

These claims are being assessed, and the Company intends to vigorously defend the claims and pursue its counterclaims. As of December 31, 2023, the Company has made an accrual of \$47.5 million based on a conservative interpretation of Accounting Standards Codification ("ASC") 606 (applicable to estimating variable consideration in customer contracts), however, the Company assesses the likelihood of loss as remote and believes that the Company will prevail in arbitration proceedings on the merits. This reserve amount has been recognized as a reduction to the revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within "Advance billings on contracts" in our consolidated Balance Sheet as of December 31, 2023.

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 that it is entitled to the maximum amount of delay-based Liquidated Damages, approximately \$40 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 by MMCL for the contract work. BP alleges that it has spent a total of \$434 million to date, of which it claims approximately \$237 million as “additional cost” recoverable from MMCL. BP also alleges that it estimates that it could incur \$761 million to complete the remaining work and would seek to recover from MMCL the delta, if any, between that and amounts that would have been paid to MMCL for the work. Those amounts are not determined at this time and will be contested in arbitration.

MMCL denies any liability to BP on these claims and intends to file 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 related to this matter.

Asbestos 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, 2023. 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 CB&I business, certain CB&I 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 CB&I and CB&I’s 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, and fact discovery is proceeding. 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 the parties are now awaiting a decision on class certification in the MSPERS Action from the District Judge. 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 denied, but without prejudice to a motion to certify two subclasses of shareholders consisting of (i) persons who acquired MII common stock between December 18, 2017 and November 5, 2019 and who held stock in CB&I during that period, and (ii) persons who acquired MII common stock during that period but never held CB&I stock during that period. On March 25, 2024, the Judge for the Southern District of Texas adopted the Magistrate Judge’s recommendation to deny the motion for class certification without prejudice to a motion to certify the two subclasses identified.

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. On November 24, 2020, the court entered a stipulation and order extending the plaintiffs’ deadline to respond to the motion to dismiss from December 4, 2020 to 45 days after the magistrate judge issues a report and recommendation on the pending motion to dismiss in the Edwards action. The court denied the motion to dismiss on August 23, 2021. Fact discovery is proceeding in the Kingstown 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, 2023. 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.

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, 2023. 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 2024. As of December 31, 2023, 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 many 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, 2023 and 2022, we determined that we had approximately \$663 million and \$494 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 \$51 million and \$3 million as reductions in transaction prices related to such exposure as of December 31, 2023 and 2022, respectively. Significant potential liquidated damages exposures included in the \$663 million are: (1) an exposure for \$71 million, where we have asserted our change in laws rights in the contract and are pending relief from the customer; (2) 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; (3) a combined exposure for \$170 million on the Baystar projects, discussed under "Baystar Arbitrations" above, where we recorded approximately \$47.5 million as a reduction to revenue in the second quarter of 2023; (4) an exposure for \$69 million, where we are pending relief from the customer on a schedule extension; (5) an exposure for \$45 million, where we are preparing an extension of time claim and expect to receive the customer approval; and (6) an exposure for \$40 million, discussed under "BP Tortue Arbitration" above.

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.

We have received notices from some of our subcontractors, suppliers and other business counterparties, and provided notices to several customers, regarding performance or delivery delays resulting from the COVID-19 pandemic, requesting available contractual relief. Most of our contracts with customers include *force majeure* provisions, which, in some cases, afford protection against damages for delays caused by the COVID-19 pandemic and in some cases reimbursement for certain additional costs incurred as a result of the COVID-19 pandemic.

NOTE 18—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 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, and Lummus Technology pull-through projects; (2) Offshore Middle East, focused on shallow water offshore projects in the Middle East; (3) Subsea and Floating Facilities, focused on subsea, floating facilities and fixed facilities projects outside of the Middle East; and (4) CB&I, representing our storage solutions business.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue and operating results were as follows:

	Year ended December 31,	
	2023	2022
	(In millions)	
Revenues:		
Low-Carbon Solutions	\$ 2,200	\$ 1,670
Offshore Middle East	3,184	2,115
Subsea and Floating Facilities	1,672	1,666
CB&I	887	795
	7,943	6,246
Other ⁽¹⁾	(196)	-
Total revenues	<u>\$ 7,747</u>	<u>\$ 6,246</u>
Operating (loss) income:		
Segment operating (loss) income:		
Low-Carbon Solutions	\$ (79)	\$ (65)
Offshore Middle East	51	(38)
Subsea and Floating Facilities	33	25
CB&I	38	32
Total segment operating income (loss)	43	(46)
Corporate and Global Operations ⁽²⁾	(182)	83
Other ⁽¹⁾	(196)	-
Total operating (loss) income	<u>\$ (335)</u>	<u>\$ 37</u>

- (1) Our consolidated revenue and operating income 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 “Litigation Matters”.
- (2) Corporate operating results during the year ended December 31, 2022 include proceeds from the sale of our ownership interest in Net Power LLC, discussed in Note 7, *Joint Venture and Consortium Arrangements*. We recognized approximately \$217 million net gain from the disposal of this joint venture.

Depreciation and amortization expense and capital expenditures were as follows:

	Year ended December 31,	
	2023	2022
	(In millions)	
Depreciation and amortization:		
Low-Carbon Solutions	\$ 4	\$ 3
Offshore Middle East	45	41
Subsea and Floating Facilities	58	49
CB&I	25	37
Corporate and Global Operations	16	12
Total depreciation and amortization	<u>\$ 148</u>	<u>\$ 142</u>
Capital expenditures ⁽¹⁾ :		
Low-Carbon Solutions	\$ -	\$ 1
Offshore Middle East	20	17
Subsea and Floating Facilities	25	12
CB&I	10	10
Corporate and Global Operations ⁽²⁾	16	183
Total capital expenditures	<u>\$ 71</u>	<u>\$ 223</u>

- (1) Capital expenditures represent cash purchases.
- (2) Corporate capital expenditures during the year ended December 31, 2022 were primarily related to capital expenditures associated with the *Amazon* vessel, including those financed under the “Amazon Financing Facility”, discussed in Note 9, *Debt*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment assets were as follows:

	December 31, 2023	December 31, 2022
	(In millions)	
Segment assets:		
Low-Carbon Solutions	\$ 1,038	\$ 838
Offshore Middle East	1,703	1,245
Subsea and Floating Facilities	1,618	1,557
CB&I	551	578
Corporate and Global Operations	662	756
Total assets	<u>\$ 5,572</u>	<u>\$ 4,974</u>

Significant Customer Information

Our significant customers by segments during 2023 and 2022 were as follows:

	% of Consolidated Revenues	Reportable Segments
<i>Year ended December 31, 2023:</i>		
Saudi Aramco	28%	Offshore Middle East/CB&I
Golden Pass Products LLC	13%	Onshore/CB&I
<i>Year ended December 31, 2022:</i>		
Saudi Aramco	26%	Offshore Middle East/CB&I
Golden Pass Products LLC	14%	Onshore/CB&I

Operating Information by Geography

	Year ended December 31,	
	2023	2022
	(In millions)	
Geographic revenues:		
Saudi Arabia	\$ 2,510	\$ 1,727
United States	2,012	1,801
Australia	950	763
Qatar	897	505
India	339	275
Uganda	315	188
Canada	189	98
Mauritania and Senegal	149	329
Guyana	124	35
Other countries	458	525
	7,943	6,246
Other ⁽¹⁾	(196)	-
Total revenues	<u>\$ 7,747</u>	<u>\$ 6,246</u>

- ⁽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 “Litigation Matters”.

	December 31, 2023	December 31, 2022
	(In millions)	
Property, plant and equipment, net ⁽¹⁾:		
United States	\$ 593	\$ 120
Singapore	138	50
United Arab Emirates	126	131
Indonesia	90	32
Saudi Arabia	48	40
Spain	-	448
Malta	-	146
Other countries	49	84
Total property, plant and equipment, net	<u>\$ 1,044</u>	<u>\$ 1,051</u>

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

NOTE 19—SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 8, 2024, the date these financial statements were available to be issued. Refer to Note 1, *Nature of Operations and Organization*, for a discussion of significant subsequent events.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this annual report, unless the context otherwise indicates, “McDermott,” “we,” “our” or “us” mean McDermott International, Ltd and its consolidated subsidiaries.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company. This information should be read in conjunction with the financial statements and the Notes thereto included in this report.

From time to time, our management or persons acting on our behalf make “forward-looking statements” to inform existing and potential security holders about our company. These statements may include projections and estimates concerning the scope, execution, timing and success of specific projects and our future remaining performance obligations (“RPOs”), revenues, income and capital spending. Forward-looking statements are generally accompanied by words such as “achieve,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “strategy” or other words that convey the uncertainty of future events or outcomes. Sometimes we will specifically describe a statement as being a forward-looking statement and refer to this cautionary statement.

In addition, various statements in this report, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. Those forward-looking statements appear in Management’s Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to our Consolidated Financial Statements and elsewhere in this report.

These forward-looking statements include, but are not limited to, statements that relate to, or statements that are subject to risks, contingencies or uncertainties that relate to:

- the adequacy of our sources of liquidity and capital resources;
- implementation of strategies to reduce and recover costs, increase operational efficiencies and lower our capital spending in connection with the current macroeconomic environment;
- the ultimate impact and duration of the Russia-Ukraine and the Hamas-Israel conflicts;
- future levels of revenues, operating margins, operating income (loss), cash flows or net income (loss);
- the outcome of project awards and scope, execution and timing of specific projects, including timing to complete and cost to complete these projects;
- expectations regarding the availability of letters of credit to support bids for new project awards;
- future project activities, including the commencement and subsequent timing of, and the success of, operational activities on specific projects, and the ability of projects to generate sufficient revenues to cover our fixed costs;
- estimates of revenues over time and contract profits or losses;
- expectations regarding the acquisition or divestiture of assets;
- anticipated levels of demand for our products and services;
- shortages and potential increase in cost of labor and materials;
- global demand for oil and gas and fundamentals of the oil and gas industry;
- expectations regarding offshore development of oil and gas;
- market outlook for the EPCI market;
- access to capital for companies in the oil and gas and related industries;
- expectations regarding cash flows from operating activities;

- expectations regarding RPOs;
- future levels of capital, environmental or maintenance expenditures;
- the success or timing of completion of ongoing or anticipated capital or maintenance projects;
- interest expense;
- the effectiveness of our derivative contracts in mitigating foreign currency and interest rate risks;
- results of capital investment program;
- the impact of U.S. and non-U.S. tax law changes;
- the potential effects of judicial or other proceedings on our business, financial condition, results of operations and cash flows; and
- the anticipated effects of actions of third parties such as competitors, or federal, foreign, state or local regulatory authorities, or plaintiffs in litigation.

These forward-looking statements speak only as of the date of this report; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following:

- general economic and business conditions and industry trends;
- general developments in the industries in which we are involved;
- risks associated with the COVID-19 pandemic and other related or unrelated pandemics and the responses thereto;
- the volatility of oil and gas prices;
- decisions about capital investment to be made by oil and gas companies and other participants in the energy and natural resource industries, demand from which is the largest component of our revenues;
- other factors affecting future levels of demand, including investments across the natural gas value chain, including LNG and petrochemicals, investments in petrochemical facilities and investments in various types of facilities that require storage structures;
- the highly competitive nature of the businesses in which we are engaged;
- uncertainties as to timing and funding of new contract awards;
- uncertainties regarding our ability to retain key personnel;
- our ability to appropriately bid, estimate and effectively perform projects on time, in accordance with the schedules established by the applicable contracts with customers;
- changes in project design or schedule;
- changes in scope or timing of work to be completed under contracts;
- cost overruns on fixed-price or similar contracts or failure to receive timely or proper payments on cost-reimbursable contracts, whether as a result of improper estimates, performance, disputes or otherwise;
- changes in the costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors;
- risks associated with labor productivity;
- cancellations of contracts, change orders and other modifications and related adjustments to RPOs and the resulting impact from using RPOs as an indicator of future revenues or earnings;
- the collectability of amounts reflected in change orders and claims relating to work previously performed on contracts;
- our ability to settle or negotiate unapproved change orders and claims and estimates regarding liquidated damages;

- the capital investment required to construct new-build vessels and maintain and/or upgrade our existing fleet of vessels;
- the ability of our suppliers and subcontractors to deliver raw materials in sufficient quantities and/or perform in a timely manner;
- the ability of our co-venturers to perform their scopes of jointly executed projects where we have joint and several liability toward the customer, or otherwise rely on them for performance;
- volatility and uncertainty of the credit markets;
- our ability to comply with covenants in our credit agreements and other debt instruments and the availability, terms and deployment of capital;
- our ability to complete the amendment and extension of our financing arrangements and on terms that are acceptable to the Company;
- the unfunded liabilities of our pension and other post-retirement plans, which may negatively impact our liquidity and our ability to fund our pension obligations;
- the continued availability of qualified personnel;
- the operating risks normally incident to our lines of business, which could lead to increased costs and affect the quality, costs or availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors and give rise to contractually imposed liquidated damages;
- natural or man-caused disruptive events that could damage our facilities, equipment or our work-in-progress and cause us to incur losses and/or liabilities;
- equipment failure;
- changes in, or our failure or inability to comply with, government regulations;
- adverse outcomes from legal and regulatory proceedings;
- impacts of potential regional, national and/or global requirements or initiatives to significantly limit or reduce greenhouse gas and other emissions;
- the capital investment and expenses required to achieve our sustainability targets, including those related to reduction in greenhouse gas emissions;
- changes in, and liabilities relating to, existing or future environmental, health or safety regulatory matters or claims;
- changes in U.S. and non-U.S. tax laws or regulations, including customs and excise duties;
- the continued competitiveness and availability of, and continued demand and legal protection for, our intellectual property assets or rights, including the ability of our patents or licensed technologies to perform as expected and to remain competitive, current, in demand, profitable and enforceable;
- our ability to keep pace with rapid technological changes or innovations;
- the risk that we may not be successful in updating and replacing current information technology and the risks associated with information technology systems interruptions and cybersecurity threats;
- the risks associated with failures to protect data privacy in accordance with applicable legal requirements and contractual provisions binding upon us;
- difficulties we may encounter in obtaining regulatory or other necessary approvals of any strategic transactions;
- the risks associated with negotiating divestitures of assets with third parties;
- the risks associated with integrating acquired businesses;
- the risks associated with forming and operating joint ventures, including exposure to joint and several liability for failures in performance by our co-venturers;
- social, political, security and economic situations in countries where we do business, including the current situation in Mozambique described in this report and the Russia-Ukraine and the Hamas-Israel conflicts;

- the risks associated with our international operations, including risks relating to local content or similar requirements;
- the consequences of significant changes in foreign currency and interest rate risks and our ability to manage or obtain adequate hedge arrangements for those or similar risks;
- interference from adverse weather or sea conditions;
- the possibilities of war, other armed conflicts, civil unrest or terrorist attacks, including the Russia-Ukraine and the Hamas-Israel conflicts;
- the effects of asserted and unasserted claims and the extent of available insurance coverages;
- our ability to obtain surety bonds, letters of credit and new financing arrangements;
- our ability to maintain builder's risk, liability, property and other insurance in amounts and on terms we consider adequate and at rates that we consider economical; and
- the risks retained in our captive insurance subsidiaries.

We believe the items we have outlined above are important factors that could cause estimates in our consolidated financial statements to differ materially from actual results and those expressed in a forward-looking statement made in this report or elsewhere by us or on our behalf. We have discussed many of these factors in more detail elsewhere in this report and the other reports we make available to our stakeholders. These factors are not necessarily all the factors that could affect us. Unpredictable or unanticipated factors we have not discussed in this report or the other reports we make available to our stakeholders could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. We do not intend to update our description of important factors each time a potential important factor arises. We advise our security holders that they should (1) be aware that factors not referred to above could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements.

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 has already begun to deliver tangible outcomes, such as 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 four 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, and Lummus Technology pull-through projects; (2) Offshore Middle East, focused on shallow water offshore projects in the Middle East; (3) Subsea and Floating Facilities, focused on subsea, floating facilities and fixed facilities projects outside of the Middle East; and (4) CB&I, representing our storage solutions business. 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 9, *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 (the English Proceeding and the two Dutch Proceedings, each as defined and described below) that collectively de-levered the Company’s balance sheet, including by addressing the Reficar-related liabilities (defined and described under “Litigation Matters” below) and extending the maturity of the Escrow LC Facility and Exit Credit Agreement. The respective court approvals in the English Proceeding, Dutch Proceedings, and Chapter 15 Proceeding (each as defined below) served to effectuate the Restructuring Transactions.

As part of the English Proceeding, the Company sought to effectuate the Restructuring Transactions pursuant to Part 26A of the Companies Act, a restructuring procedure that became law in England and Wales in 2020 (the proceeding commenced by CB&I UK Limited under Part 26A, the “English Proceeding”). Part 26A of the Companies Act allows companies to use a statutory tool known as a “restructuring plan” (as it pertains to CB&I UK Limited, the “Restructuring Plan”) to impose a compromise or arrangement (including a restructuring of liabilities) agreed with a statutory majority of the Company’s creditors or members upon each and every creditor or member of the relevant class subject to the Restructuring Plan, provided certain conditions are met. The Restructuring Plan meetings were held on February 1, 2024, and the Plan was approved by 100% of the Company’s secured creditors who submitted votes. On February 27, 2024, the High Court of Justice of England and Wales (the “English Court”) handed down a written judgment sanctioning the Restructuring Plan.

As part of the Dutch Proceedings, Lealand Finance Company B.V. and McDermott International Holdings B.V. (collectively, the “Dutch Debtors”) commenced proceedings pursuant to the Wet Homologatie Onderhands Akkoord (the “Dutch Proceedings” and, together with the English Proceeding, the “Foreign Implementation Proceedings”). As part of the Dutch Proceedings, the Dutch Debtors prepared proposals (the “WHOA Plans”) to impose a compromise with the Company’s creditors, similar to that in the English Proceeding. During February, the WHOA Plans were offered to creditors for voting, with approval from 100% of votes submitted. Reficar abstained from voting in return for consideration described under Litigation Matters below. On March 21, 2024, the WHOA Plans were approved by the Dutch Court.

On October 9, 2023, McDermott International Holdings B.V., Lealand Finance Company B.V., and CB&I UK Limited (collectively, the “Foreign Debtors”) filed petitions with the Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”), seeking relief under Chapter 15 of Title 11 of the United States Code to recognize the ongoing proceedings in England and the Netherlands (the proceeding initiated by the filing of such petitions, the “Chapter 15 Proceeding”). In addition, the Foreign Debtors filed, on February 21, 2024, a motion to cause the Restructuring Plan and the WHOA Plans to become enforceable within the territorial jurisdiction of the United States (the “Motion to Enforce”). On March 22, 2024, the Bankruptcy Court granted the Motion to Enforce and ruled to recognize the results of the Foreign Implementation Proceedings.

Following the sanctioning of the CB&I UK Restructuring Plan, the sanctioning of the WHOA Plans and the recognition of the Foreign Implementation Proceedings, 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 (as discussed in Note 9, *Debt*).

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

Litigation Matters

As discussed in Note 17, *Commitments and Contingencies*, on March 8, 2016, former CB&I customer Reficar de Cartagena S.A. ("Reficar") filed an international arbitration proceeding against Chicago Bridge & Iron Company N.V., et. al. (now known as McDermott International Holdings, B.V., with additional Company parties CB&I UK Limited and CBI Colombiana S.A.). On June 7, 2023, we received notice of the decision of the arbitration tribunal which found that CB&I UK Limited, McDermott International Holdings, B.V., and CBI Colombiana S.A. (together "Defendants") did not fraudulently induce Reficar to enter a reimbursable cost contract and made various rulings in favor of and against the Defendants. In full, following offsetting claims and recoveries in favor of Defendants, the arbitration panel granted Reficar net damages of approximately \$938 million plus legal costs reimbursement (net of costs awarded to Defendants) of approximately \$59 million. The Tribunal also granted Reficar interest on the damages award from December 31, 2015 (the date determined to be the liquidation of the contract) and interest on the legal costs award from the date of notice of the award (June 7, 2023) at LIBOR plus 2% (until such time as LIBOR ceases to exist, and then at SOFR plus 2%) through date of payment of the award. On June 8, 2023, McDermott International Holdings, B.V. and CB&I UK Limited filed a Petition to Vacate the award in the Southern District of New York asserting that the arbitration decision is based upon fundamental legal error and violation of due process related to procedural matters and the impact of various proceedings initiated by other agencies of the Colombian government. On August 4, 2023, Reficar filed a motion to confirm the award in the same court proceeding. On September 25, 2023, Reficar filed a Motion for Pre-judgment Attachment and Disclosure of Assets. On October 10, 2023, the U.S. Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") granted the Company's request and issued an order granting provisional relief pursuant to the Bankruptcy Code which stayed Reficar's Motion for Pre-Judgment Attachment as well as the cross-motions for vacatur and confirmation of the arbitration award (the "Bankruptcy Stay"). In response to the Bankruptcy Stay, on October 10, 2023, the Court for the Southern District of New York stayed all proceedings in that court. On October 16, 2023, Reficar filed a motion for relief from the Bankruptcy Stay seeking a modification from the provisional relief order solely to allow the NY Vacatur Proceedings to resume, which was denied at a hearing held on November 29, 2023. Reficar commenced proceedings to enforce the arbitration award in both the Netherlands and the U.K; those proceedings were formally withdrawn and discontinued by Reficar following the entry into the Reficar Resolution Agreement, as discussed below. CB&I UK Limited and McDermott International Holdings B.V. compromised and discharged the Reficar arbitration award through the Restructuring Transactions. On February 25, 2024, the Defendants and Reficar reached an agreement (the "Reficar Resolution Agreement"), which provides for consideration to Reficar including \$75 million in Series B Preference Shares (as defined and described in Note 16, *Redeemable Preference Shares*) in McDermott International, Ltd, which will accrue interest at 8.00% per annum or 8.75% upon the Company's election to pay such interest in kind, and are convertible into 19.9% of the non-voting Class B Ordinary Shares of the Company, as described in Note 16, *Redeemable Preference Shares*, and the reimbursement of advisor costs up to \$9 million. In addition, Reficar exercised the right to draw on the \$95 million letter of credit, and we assigned Reficar rights to recovery from any applicable insurance.

As of September 30, 2023, we recorded a reserve of \$1,334 million for the Reficar matter, which was inclusive of the \$938 million damages award, \$59 million of legal costs awarded, and \$337 million in interest through September 30, 2023. Upon reaching the Reficar Resolution Agreement, in accordance with Accounting Standards Codification ("ASC") 855, *Subsequent Events*, effective December 31, 2023, we (1) reversed the reserve of \$1,334 million; and (2) recorded a 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 16, *Redeemable Preference Shares*), (b) \$95 million letter of credit drawn by Reficar on March 28, 2024, that is deemed to be a borrowing under the LC Term Loans (as defined and described in Note 9, *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. The reserve of \$196 million has been recognized as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within "Advance billings on contracts" in our Consolidated Balance Sheets as of December 31, 2023.

Liquidity and Going Concern Matters

Since 2021, we have recognized material unfavorable changes in estimates on certain of our projects. These projects caused a significant strain on our liquidity, which has been further exacerbated by professional and legal costs associated with the Reficar matter and the amendment and extension of our financing facilities. This uncertainty has caused our customers, vendors, and banks to behave more cautiously when doing business with us. As a result, in our second and third quarter financial statements, we concluded there existed substantial doubt about our ability to continue as a going concern.

To proactively address our liquidity needs, in November 2022 we commenced discussions with lenders regarding the amendment and extension of the Escrow LC Facility and Exit Credit Agreement (defined and described in Note 9, *Debt*). On March 25, 2024 (“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 amends 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, and Escrow LC Facility are extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility is extended to December 31, 2027.

In addition, on September 8, 2023 we completed a structural reorganization and ringfencing of the Tanks Subsidiaries (defined in Note 9, *Debt*) which were released from their obligations as guarantors under the Escrow LC Facility and Exit Credit Agreement and entered into the Tanks Credit Facilities (defined and described in Note 9, *Debt*), which among other things, provided \$250 million in new capital from a group of our existing equity holders. The new capital allowed us to address certain liquidity constraints and make positive changes in managing the vendor base. As of December 31, 2023, we averaged 65 days payable outstanding compared to 82 days and 95 days as of September 30, 2023 and June 30, 2023, respectively.

Structural reorganization and ringfencing of the Tanks Subsidiaries and strategic changes in our business have positively impacted our financial performance in recent quarters. Our customer and vendor relationships have improved significantly; however, we continue to closely monitor performance risks. We are actively pursuing the resolution of our unapproved change order position and liquidated damage exposure with our customers and are optimizing the utilization of our letter of credit capacity. In addition, we remain focused on managing risks around the supply chain to ensure continued progression on the project portfolio. We believe these initiatives and the recent extension and amendment of our credit agreements and successful discharge of the Reficar arbitration award through the Restructuring Transactions alleviate the substantial doubt about the Company’s ability to continue as a going concern that existed as of September 30, 2023.

Cybersecurity Incident

In April 2023, subsequent to our first quarter financial close, we experienced a cybersecurity incident involving social engineering followed by the encryption of certain McDermott systems. After detecting the incident, we took our systems offline to prevent further compromise and engaged our third-party cybersecurity experts to assist in the containment of the threat and restoration of our systems. Our recovery efforts and investigation were completed in May 2023. The investigation determined that no individuals’ personal information or customer sensitive project data was taken from our systems. During the second quarter of 2023, we have incurred approximately \$20 million and \$6 million, included in our cost of operations and selling, general and administrative expenses, respectively, of expenses related to this incident, including expenses to respond to, remediate, and investigate this matter. We have engaged forensic accountants to support our claim under the business interruption portion of our cyber and ransomware insurance policies which provide for a maximum recovery of \$5 million after a \$2 million deductible. As of December 31, 2023, we have recorded an insurance recovery of approximately \$2 million in our selling, general and administrative expenses related to this incident.

Recent Developments Affecting Industry Conditions and Our Business

Our industry was adversely affected by geopolitical events that increased the supply of low-priced oil to the global market at the same time that worldwide demand weakened due to the effects of the pandemic, leading to a collapse in oil prices during March 2020. In 2021 U.S. oil production stabilized as commodity prices increased and demand for oil rebounded, which trend continued into 2022. In its report issued on February 14, 2023, the Organization of the Petroleum Exporting Countries (“OPEC”) noted that for 2023, the forecast for world oil demand growth stands at 2.3 million barrels per day. Following the February report, 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. On June 4, 2023, these production cuts were further extended through the end of 2024. On November 30, 2023, additional voluntary production cuts totaling 2.2 million barrels per day were announced. Although the world oil demand in 2023 was supported by solid economic performance in major consuming countries, as well as improvements in coronavirus (“COVID-19”) pandemic restrictions, we cannot predict the ultimate impact of these events on commodity prices. 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, 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.

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 pause on the permitting of new LNG export terminal projects in the United States while the United States Department of Energy reviews the economic and environmental impacts of LNG exports. We cannot predict the ultimate duration or impact of such action. 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 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-Israeli conflict is unpredictable and has already 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 2024, 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. 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 Russia-Ukraine and the Hamas-Israel conflicts will depend on future developments and the timing and extent to which normal economic and operating conditions resume.

Issuance of Series A Preference Shares and Series B Redeemable Preference Shares, Ordinary Share Redesignation and Share Capital Increase

Under the terms of the Reficar Resolution Agreement and following receipt of requisite approval of the holders of the preference shares, the Company issued \$75 million principal amount of preference shares, par value US\$0.001 per share, designated as "Series B Redeemable Preference Shares" to Reficar (the "Series B Preference Shares" and, together with the Series A Preference Shares, the "Preference Shares"). In connection therewith, the Board and the requisite holders of ordinary shares approved the amended and restated by-laws of the Company which, among other things, (i) redesignates the ordinary shares of the Company 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) increases the authorized share capital of the Company from (a) 800,000,000 shares to (b) 2,400,000,000 shares.

The Board approved a Certificate of Designation of the Series B Preference Shares (the "Series B Certificate of Designation") setting forth the powers, designations, preferences, and other rights of the Series B Preference Shares. In addition, the Board and the holders of the Series A Preference Shares approved amending and restating the First Amended and Restated Certificate of Designation of Series A Preference Shares (as amended and restated, the "Series A Certificate of Designation" and, together with the Series B Certificate of Designation, the "Certificates of Designation") to, among other things, incorporate certain changes relating to the redesignation of ordinary shares and the creation of Series B Preference Shares, and to extend the timeline for which a holder may effect an optional redemption to after June 30, 2028. See Note 16, *Redeemable Preference Shares*, to the accompanying financial statements, for further description.

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 values for joint ventures we consolidate and our proportionate values 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Contracts included in RPOs vary in size from less than one hundred thousand dollars in contract value to several billion dollars, with varying durations. The timing of awards and differing types, sizes and durations of our contracts, combined with the geographic diversity and stages of completion of the associated projects, often results in fluctuations in our segment results as a percentage of total revenue. RPOs may not be indicative of future operating results, and projects in our RPOs may be cancelled, modified or otherwise altered by customers. The profitability of our contracts reflected in RPOs are based on our best estimates. It is possible that our estimates of profit could increase or decrease based on, among other things, changes in productivity, actual downtime and the resolution of change orders and claims with the customers, and therefore our future profitability is difficult to predict.

The timing of our revenue recognition may be impacted by the contracting structure of our contracts. 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.

Our RPOs by business segment were as follows:

	December 31, 2023		December 31, 2022	
	(Dollars in millions)		(Dollars in millions)	
Low-Carbon Solutions	\$ 8,325	42%	\$ 6,673	37%
Offshore Middle East	7,547	38%	6,819	38%
Subsea and Floating Facilities	2,606	13%	2,956	16%
CB&I	1,452	7%	1,609	9%
Total	\$ 19,930	100%	\$ 18,057	100%

Our RPOs increased by approximately \$1.9 billion from December 31, 2022 to December 31, 2023, due to new awards and change orders of approximately \$9.8 billion offset by operating revenues of approximately \$7.9 billion, in each case recognized during the year ended December 31, 2023.

Our RPOs as of December 31, 2023 include approximately \$499 million associated with unapproved change orders.

As disclosed in Note 7, *Joint Venture and Consortium Arrangements*, to the accompanying financial statements, the Mozambique LNG export facility project is currently suspended. 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. McDermott continues to work with the customer, our co-venturers in CCS JV, and our subcontractors and vendors to evaluate the project schedule and potential impacts of the suspension and related events. As of the date of this report, the contract has not been terminated. As of December 31, 2023, the RPOs associated with the project were approximately \$1.9 billion.

Of the December 31, 2023 RPOs, we expect to recognize revenues as follows:

	2024	2025	Thereafter
	(In millions)		
Total RPOs	6,802	5,031	8,097

Loss projects

Our accrual of provisions for estimated losses on our active and substantially completed projects as of December 31, 2023 and December 31, 2022 is included in the “Advance billings on contracts” account and was approximately \$290 million and \$79 million, respectively. Losses were driven by degradation in fabrication and construction productivity, lost time due to weather and safety standdowns, supply chain performance, increased subcontractor costs, the impact of COVID-19 pandemic on our operations during 2020 and 2021, and financial constraints, all of which necessitated schedule prolongation and changes to certain marine campaigns. Loss provision as of December 31, 2023, included the \$196 million reserve recognized in connection with the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization*, under “Litigation Matters”, and approximately \$47.5 million accrued in connection with the Baystar projects, discussed in Note 17, *Commitments and Contingencies*. On a weighted-average basis as of December 31, 2023, our loss projects were approximately 97% complete.

Year ended December 31, 2023 vs year ended December 31, 2022

Revenue



	Year ended December 31,		Change	
	2023	2022	(In millions)	Percentage
(In millions)				
Revenues:				
Low-Carbon Solutions	\$ 2,200	\$ 1,670	\$ 530	32%
Offshore Middle East	3,184	2,115	1,069	51%
Subsea and Floating Facilities	1,672	1,666	6	0%
CB&I	887	795	92	12%
	\$ 7,943	\$ 6,246	\$ 1,697	27%
Other	(196)	-	(196)	
Total	\$ 7,747	\$ 6,246	\$ 1,501	24%

Consolidated segment operating revenues increased by 24%, or approximately \$1.5 billion, in 2023 compared to 2022.

Low-Carbon Solutions—Revenues increased by 32%, or \$530 million, in 2023 compared to 2022. The increase was attributable to progress on various projects, including a U.S. LNG export facility project in Sabine Pass, Texas, an LNG export facility project in Canada, an onshore oil field development project in the Republic of Uganda, and a renewable energy contract HVDC project in the North Sea, offshore Germany. The increase was partially offset by (1) lower activity on several projects nearing completion, and (2) accrual of the \$47.5 million reserve, de-recognition of a \$9.6 million incentive revenue, and a \$9 million unapproved change order on the Baystar projects.

Offshore Middle East—Revenues increased by 51%, or \$1.1 billion, in 2023 compared to 2022. The increase was primarily associated with progress on several Saudi Aramco projects and progress on an EPCI project in Qatar for topsides, pipelines, and subsea cables, partially offset by the substantial completion of various other projects. During 2023 we recognized approximately \$472 million of net unapproved change orders, primarily on two projects, associated with scope changes, project delays, weather adjustment, and other items, partially driven by disruptions to our global supply chain, and pending formal submission and customer approval.

Subsea and Floating Facilities—Revenues remained flat in both periods. Revenues in 2023 were primarily associated with progress on the EPCI and commissioning services project for a floating production unit and progress on the EPCI project for subsea gas field developments, both offshore Western Australia, the EPCI project for a floating production, storage, and offloading vessel for the Yellowtail development project in Guyana, and various other projects. Revenues in 2022 were primarily associated with progress on an EPCI and commissioning services project for a floating production unit, offshore Western Australia, awarded during the second half of 2021, an EPCI contract for the offshore natural gas project in Mauritania and Senegal, progress on EPCI and commission services for subsea umbilicals, risers and flowlines and brownfield modification scopes for a gas field development project, offshore Myanmar and the development of the compression platform project in Trinidad and Tobago, both substantially completed in 2023, and various other projects.

CB&I—Revenues increased by 12%, or \$92 million, in 2023 compared to 2022. The increase was primarily driven by revenue on the EPC of LNG storage tanks for both phases one and two of the Plaquemines LNG export project and EPC of liquefied petroleum gas storage in Juaymah, KSA. Revenues in both periods were associated with atmospheric and refrigerated storage vessels and terminals and water storage and treatment facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Other—A reduction in revenue of \$196 million was associated with the Reficar Resolution Agreement and was comprised of (a) \$66 million representing the fair value of the Series B Preference Shares (as defined and described in Note 16, *Redeemable Preference Shares*), (b) \$95 million letter of credit held by Reficar that will be deemed to be a borrowing under the LC Term Loans upon being drawn by Reficar (as defined and described in Liquidity and Capital Resources—Financing Arrangements below), (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.

Segment Operating Results

	Year ended December 31,		Change	
	2023	2022	(In millions)	Percentage
(In millions)				
Segment operating income (loss):				
Low-Carbon Solutions	\$ (79)	\$ (65)	\$ (14)	(22%)
Offshore Middle East	51	(38)	89	234%
Subsea and Floating Facilities	33	25	8	32%
CB&I	38	32	6	19%
Total	\$ 43	\$ (46)	\$ 89	193%

Consolidated segment operating income during 2023 was \$43 million compared to the consolidated segment operating loss of \$46 million during 2022. Consolidated segment operating results in both periods were impacted by net unfavorable changes in estimates totaling approximately \$201 million and \$147 million, respectively.

Low-Carbon Solutions—Segment operating loss during 2023 was \$79 million and included the impact of net unfavorable changes of approximately \$145 million, primarily resulting from accrual of the \$47.5 million reserve, de-recognition of a \$9.6 million incentive revenue and a \$9 million unapproved change order on the Baystar projects, increase in costs on an onshore oil field development project in Republic of Uganda, warranty costs on a completed LNG export facility project in Hackberry, Louisiana and other unfavorable changes in estimates, partially offset by progress on various projects. Segment operating loss during 2022 included the impact of net unfavorable changes of approximately \$86 million, primarily associated with charges on a loss project in Bayport, Texas, where we are in arbitration with a customer, discussed in Note 17, *Commitments and Contingencies*, partially offset by a close-out settlement on an EPCI contract in Russia, substantially complete in 2021, and progress on various projects.

Offshore Middle East—Segment operating income during 2023 was \$51 million and related to operating income contributed by a variety of projects and activities, partially offset by the impact of net unfavorable changes of approximately \$57 million, primarily resulting from weather downtime during installation campaigns on the EPCI project in Qatar, expected to be substantially complete in the first half of 2024, and the EPCI project in Saudi Arabia, associated with increased subcontractor costs and productivity issues resulting from schedule changes. Segment operating loss during 2022 was \$38 million and was primarily associated with the EPCI project in Qatar.

Subsea and Floating Facilities—Segment operating income was \$33 million and \$25 million during 2023 and 2022, respectively. In both periods, operating income was associated with progress on the gas field redevelopment project in India, the EPCI services project for a floating production unit, offshore Western Australia, and various other ongoing projects.

CB&I—Segment operating income was \$38 million and \$32 million during 2023 and 2022, respectively. In both periods, operating income was associated with atmospheric and refrigerated storage vessels and terminals and water storage and treatment facilities.

Other Items in Operating Income

	Year ended December 31,		Change	
	2023	2022	(In millions)	Percentage
(In millions)				
Corporate and Global Operations	\$ (182)	\$ 83	\$ (265)	(319%)
Other	(196)	-	(196)	

Corporate and Global Operations

Operating results in the Corporate and Global Operations segment during 2023 were primarily associated with restructuring costs, incurred in connection with the Restructuring Transactions, discussed above; selling, general and administrative costs, which included expenses to respond to, remediate, and investigate the cybersecurity incident, higher expenses associated with employee incentive programs, professional fees related to our information technology processes; transaction costs, incurred in connection with the amendment and extension of our financing facilities; and other items.

Operating results in the Corporate and Global Operations segment during 2022 were primarily due to the \$217 million gain on disposal of our ownership interest in the Net Power LLC on April 20, 2022, partially offset by selling, general and administrative costs and direct operating costs, attributable to Global Operations.

Other

A reduction in operating results of \$196 million was associated with the Reficar Resolution Agreement and was comprised of (a) \$66 million representing the fair value of the Series B Preference Shares (as defined and described in Note 16, *Redeemable Preference Shares*), (b) \$95 million letter of credit held by Reficar that will be deemed to be a borrowing under the LC Term Loans upon being drawn by Reficar (as defined and described in Liquidity and Capital Resources—Financing Arrangements below), (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.

Selling, general and administrative expense

Selling, general, and administrative expenses during 2023 and 2022 were \$177 million and \$154 million, respectively. The increase was associated with expenses to respond to, remediate, and investigate the cybersecurity incident, higher expenses associated with employee incentive programs, professional fees related to our information technology processes, and other items.

*Other Non-operating Items**Interest expense, net*

Interest expense, net during 2023 and 2022 was \$186 million and \$154 million, respectively, and included fees associated with letter of credit arrangements, interest expense (including PIK interest), and accretion cost associated with the Term Loan Exit Facility and the Make-Whole Exit Facility described below, amortization of the asset recognized in connection with the non-cash issuance of the Redeemable Preference Shares and other items. The increase in the interest expense during 2023 was primarily driven by (1) an increase in the variable interest rates for the Term Loan Exit Facility, the Make-Whole Exit Facility, and the Amazon Financing Facility; and (2) interest expense associated with the Tanks Credit Facilities, entered into on September 8, 2023.

Other non-operating expense, net

Other non-operating expense, net was \$47 million during 2023 and primarily related to (1) \$52 million non-cash actuarial pension mark to market loss, recognized in the fourth quarter of 2023, \$7 million settlement gains, and \$3 million net periodic expense, associated with our defined benefit pension and other postretirement plans, discussed in Note 11, *Pension and Postretirement Benefits*, to the accompanying financial statements; (2) \$12 million foreign exchange remeasurement loss associated with intercompany balances; and (3) \$10 million gain associated with the reversal of a discharged legal matter reserve.

Other non-operating expense, net was \$17 million during 2022 and primarily related to (1) \$37 million non-cash actuarial pension mark to market loss associated with our defined benefit pension and other postretirement plans, recognized in the fourth quarter of 2022; (2) \$13 million foreign exchange remeasurement gain associated with intercompany balances; and (3) \$11 million net periodic pension income.

Income tax expense

For the year ended December 31, 2023, we recognized a loss before provision for income taxes of \$568 million, compared to loss of \$134 million for the year ended December 31, 2022. The provision for income taxes operations was \$115 million and \$102 million for the years ended December 31, 2023 and 2022, respectively. The effective tax rate was approximately (20%) in 2023 and (76%) in 2022.

The 2023 effective tax rate of (20%) was partially driven by the recognition of the reserve for the Reficar legal matter, discussed in Note 17, *Commitments and Contingencies*, to the accompanying financial statements, 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.

The 2022 effective tax rate of (76%) was driven by the taxability of the gain on the sale of our interest in Net Power LLC which is included in the overall operating loss 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 uncertain tax positions, withholding taxes, and changes in the deferred tax valuation allowance.

Liquidity and Capital Resources

Cash, Cash Equivalents and Restricted Cash

As of December 31, 2023, we had approximately \$818 million of cash, cash equivalents and restricted cash, as compared to approximately \$804 million as of December 31, 2022. Restricted cash of \$71 million as of December 31, 2023 was primarily associated with \$39 million placed in an escrow account in lieu of project related letter of credit; \$27 million and \$4.5 million held as additional cash security and cash collateral, respectively, under the uncommitted bilateral credit facilities, discussed in “Financing Arrangements” below. Approximately \$112 million and \$3 million of our cash and cash equivalents as of December 31, 2023 was within our variable interest entities (“VIEs”) and collaborative arrangements, respectively, which is generally only available for use in our operating activities when distributed to the joint venture and consortium participants. As of December 31, 2023, we had approximately \$491 million of cash in jurisdictions outside the United States, principally in Italy, United Arab Emirates, United Kingdom, Saudi Arabia, Qatar and Bermuda. As of December 31, 2023, approximately 3% of our total outstanding cash balance is held in countries that have established government-imposed currency restrictions that could impede the ability of our subsidiary to transfer funds to the United States.

Cash Flow Activities

Operating activities—Net cash used by operating activities was \$94 million and \$171 million during 2023 and 2022, respectively.

Cash used in operating activities reflected our net losses for each respective period, adjusted for non-cash items, including provision for Reficar award, legal costs and interest, changes in accounts receivable, contracts in progress, net of advance billings on contracts, accounts payable and other current and non-current assets and liabilities. Timing of our operating cash flows is impacted by the size of our projects and the achievement of billing milestones on RPOs as we complete different phases of our projects.

Investing activities—Net cash used by investing activities was \$72 million during 2023 and was primarily associated with capital expenditures related to our vessel, fabrication yards and other assets.

Net cash provided by investing activities was \$64 million during 2022 and was primarily associated with \$220 million of gross proceeds from the disposal of our ownership interest in Net Power LLC joint venture on April 20, 2022 (discussed in Note 7, *Joint Venture and Consortium Arrangements*, to the accompanying Financial Statements), \$73 million of gross proceeds associated with disposal of two of our marine assets, partially offset by \$223 million of capital expenditures, primarily associated with upgrades to the *Amazon* vessel, partially financed under the Amazon Financing Facility, discussed below, and other items.

Financing activities—Net cash provided by financing activities during 2023 was \$180 million and primarily related to the \$250 million proceeds from the Tanks Term Loan facility partially offset by debt issuance costs of \$43 million and \$22 million of principal repayments under the Amazon Financing Facility, discussed under “Financing Arrangements” below.

Net cash provided by financing activities during 2022 was \$85 million and related to the net drawdowns under the Amazon Financing Facility.

Financing Arrangements

Exit Facilities and Escrow LC Facility

On June 30, 2020 (the "Effective Date"), 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 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 \$303.6 million and the cash deposited by the participants in the segregated escrow account was reduced from approximately \$390 million to approximately \$318.8 million. We do not reflect the amount in the escrow account as an asset in our financial statements.

As discussed in Note 1, *Nature of Operations and Organization*, on September 8, 2023, (i) the Company completed a structural reorganization and ringfencing of certain subsidiaries conducting storage tanks business ("Tanks Subsidiaries") which were designated as unrestricted subsidiaries under the Exit Credit 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 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.

As of December 31, 2023, the debt under the Exit Facilities consisted of:

- Term Loan Exit Facility recorded at the fair value of \$417.5 million as of June 30, 2020, further adjusted for the accretion and accrued paid-in-kind ("PIK") interest. This facility originally matured in June 2025 and interest is based on McDermott's advanced election of either (1) the adjusted Term SOFR plus a margin of 4.00% 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 3.00%. Effective October 1, 2020, instead of paying the full interest amount in cash, we have elected 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) pay PIK interest in an amount equal to 3.00% per year. The PIK interest was added to the unpaid principal balance of the Term Loan Exit Facility.
- Make-Whole Exit Facility, rolled up from the DIP Term Facility and recorded at the fair value of \$38 million as of June 30, 2020, further adjusted for the accretion. This facility originally matured in June 2024 and interest 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%.

As of December 31, 2023, the total amount of letters of credit capacity under the LC Exit Facility, Escrow LC Facility, Tanks Senior LC Facility and Tanks Escrow Credit Agreement (defined below) was \$2.3 billion. As of December 31, 2022, the total amount of letters of credit capacity under the LC Exit Facilities, Roll-Off LC Facilities and Escrow LC Facility was \$2.3 billion.

Each letter of credit issued under the Super Senior LC Exit Facility will accrue 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 will accrue 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 Exit Facility and Senior LC Exit Facility will also accrue 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 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 will accrue a fronting fee of 1.50% per annum. In addition, in connection with the entry into the Escrow LC Credit Agreement, the participants received preference shares, par value US\$0.001 per share, each in the capital of the Company designated as "Series A Preference Shares" (the "Series A Preference Shares") (described in Note 16, *Redeemable Preference Shares*).

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, and effective September 8, 2023, the Tanks Subsidiaries.

As of December 31, 2023, the Exit Credit Agreement requires us to comply with the following financial covenants:

- 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 1.60:1.00 for any four fiscal quarter period ending from September 30, 2023 through December 31, 2023. Testing of the Fixed Charge Coverage Ratio covenant has not been triggered as of December 31, 2023.
- Liquidity—Commencing September 30, 2023, we were required to maintain minimum Liquidity of not less than \$100 million as of December 31, 2023.

As of December 31, 2023, we were in compliance with the Exit Credit Agreement financial covenant requirements.

As discussed in Note 1, *Nature of Operations and Organization*, 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 amends 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 are extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility is extended to December 31, 2027. On the Amend and Extend Closing Date, the letter of credit commitment amounts of the Super Senior LC Exit Facility, the Senior LC Exit Facility and the Escrow LC Facility were reduced to \$509.6 million, \$1,134 million and \$299.8 million respectively, and were further reduced to \$496.5 million, \$1,105 million and \$292 million, respectively, as of March 31, 2024. The combined capacity under these three facilities will be further reduced over the next two years to \$1,494 million by December 31, 2026. 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. On March 28, 2024, the \$95 million standby letter of credit previously issued to Reficar under the Senior Exit LC Facility was drawn and is now deemed to be 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 shall accrue interest at a rate of SOFR plus 7.50% per annum and shall have a maturity date of June 30, 2027. As discussed in Note 1, *Nature of Operations and Organization*, under "Legal Matters", in accordance with ASC 855, *Subsequent Events*, the \$95 million was recorded as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within "Advance billings on contracts" in our Consolidated Balance Sheets as of December 31, 2023. On March 28, 2024 we reclassified the \$95 million from the loss provision within the "Advance billings on contracts" account to the "Long-term debt" account in our subsequent Consolidated Balance Sheets.

Pursuant to the A&E Amendment, the Company will be required to 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; (ii) \$200 million at the end of each fiscal quarter starting December 2025. The A&E Amendment has also amended the fixed charge coverage ratio as follows: 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.

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 \$7.5 million and for which the Company shall make additional deposits. 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.

In connection with the amendment and extension of our financing facilities we incurred and (1) capitalized approximately \$32 million in fees within Other non-current assets in our Consolidated Balance Sheets as of December 31, 2023, which will be amortized over the term of the amended and extended facilities starting on the Amend and Extend Closing Date; and (2) expensed approximately \$10 million in fees within Transaction costs in our consolidated Statement of Operations for the year ended December 31, 2023.

Tanks Credit Facilities

On September 8, 2023, our 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, our 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 (to be 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 do 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 over the terms of the facilities. 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 have a separate borrower, guarantor group and collateral from the borrower, guarantor group and collateral under the Exit Credit Agreement and Escrow LC Facility.

As of December 31, 2023, the long-term debt of the Tanks Credit Facilities consisted of the Tanks Term Loan Facility recorded at the fair value of \$213 million as of September 8, 2023, further adjusted for the accretion and accrued PIK interest. Principal under this facility, including the repayment premium of 12.5%, matures on December 31, 2026. Interest is based on our advanced election of either (1) the adjusted Term SOFR plus a margin of 7.50% 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 6.50%. Effective September 8, 2023, we have elected to accrue PIK interest based on the adjusted Term SOFR plus a margin of 7.50% per year. The PIK interest is added to the unpaid principal balance of the Tanks Term Loan.

Each letter of credit issued under the Tanks Senior LC Facility will accrue a participation fee at a rate equal to 4.75% per annum of the face amount (to be increased to 6.50% after December 8, 2024, 7.50% after June 8, 2025 and 8.50% after December 8, 2025). Each letter of credit issued under the Tanks Senior LC Facility will also accrue 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 Tanks Senior LC 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 Tanks Escrow LC Facility will accrue a participation fee at a rate equal to adjusted Term SOFR plus 4.75% per annum of the face amount (to be increased to adjusted term SOFR plus 6.50% after December 8, 2024, adjusted Term SOFR plus 7.50% after June 8, 2025 and adjusted Term SOFR plus 8.50% after December 8, 2025). Each letter of credit issued under the Tanks Escrow LC Facility will accrue a fronting fee of 1.50% per annum.

As consideration for entering into the Tanks Credit Facilities, we issued approximately 24,675 shares of Series A Preference Shares and approximately 65.4 million of our ordinary shares to the participants of such facilities.

The indebtedness and other obligations under the Tanks Credit Facilities are unconditionally guaranteed by CB&I STS Holdings LLC, a whole owned subsidiary of MIL, and substantially all of its direct and indirect wholly owned subsidiaries or affiliates, other than certain immaterial subsidiaries.

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 beginning September 30, 2022 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 includes 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, 2023, approximately \$213 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, 2023, 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. Given the uncertainty in our business arising from the Reficar matter and the ongoing efforts to amend and extend our committed financing facilities we have been unable to issue new material letters of credit from our uncommitted facilities until the Amend and Extend Closing Date. As of December 31, 2023, we had approximately \$4.5 million of cash restricted to secure reimbursement obligations in respect of letters of credit issued under the Uncommitted Facilities.

RISK FACTORS

You should carefully consider each of the following risks and all of the other information contained in this report. If any of these risks develop into actual events, our business, financial condition, results of operations or cash flows could be materially and adversely affected. Additional risks not presently known to us or that we currently deem immaterial individually or in the aggregate may also materially and adversely affect us.

Business and Operational Risks

We derive substantial revenues from companies in various energy-related industries, including the oil and natural gas exploration and development industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of oil and natural gas prices.

The demand for our EPCI services from companies in various energy-related industries, particularly the oil and gas exploration and development industry, has traditionally been cyclical, depending primarily on the capital expenditures of oil and gas exploration and development companies. These capital expenditures are influenced by factors such as:

- prevailing oil and natural gas prices;
- the ability of OPEC to set and maintain production levels;
- expectations about future prices;
- the cost of exploring for, producing and delivering hydrocarbons;
- the sale and expiration dates of available offshore leases;
- the discovery rate, size and location of new hydrocarbon reserves, including in offshore areas;
- the rate of decline of existing hydrocarbon reserves;
- laws and regulations related to environmental matters, including those addressing alternative energy sources and the risks of global climate change;
- the development and exploitation of alternative fuels or energy sources;
- domestic and international political, military, regulatory and economic conditions, such as those in Mozambique, Russia, Ukraine and the Middle East;
- technological advances, including technology related to the exploitation of shale oil;
- access to capital; and
- the ability of oil and gas companies to generate and allocate funds for capital expenditures.

Prices for oil and natural gas have historically been, and we anticipate they will continue to be, extremely volatile and react to changes in the supply of and demand for oil and natural gas (including changes resulting from the ability of OPEC to establish and maintain production quotas), domestic and worldwide economic conditions and political instability in oil producing countries, such as Russia. Material declines in oil and natural gas prices have affected the demand for and pricing of our EPCI services. In response to the historical decline in industry conditions, many oil and gas exploration and development companies and other energy companies have made significant reductions in their capital expenditure budgets over the past four years. In particular, some of our customers have reduced their spending on exploration, development and production programs, new LNG import and export facilities and power plant projects. In addition, in January 2024, the Biden administration announced a pause on the permitting of new LNG terminal projects in the United States while the United States Department of Energy reviews the economic and environmental impacts of LNG exports. We cannot predict the ultimate duration or impact of such action. Further, sustained lower relative oil prices adversely affected demand for our services, and a future decline in oil prices could, over a sustained period of time, have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

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Our results of operations and operating cash flows depend on us obtaining significant EPCI contracts, primarily from companies in the oil and gas exploration and development, petrochemical, natural resources and power industries. The timing of or failure to obtain contracts, delays in awards of contracts, cancellations of contracts, delays in completion of contracts, or failure to obtain timely payments from our customers, could result in significant periodic fluctuations in our results of operations and operating cash flows. In addition, many of our contracts require us to satisfy specific progress or performance milestones in order to receive payment from the customer. As a result, we may incur significant costs for engineering, materials, components, equipment, labor or subcontractors prior to receipt of payment from a customer. Such expenditures could reduce our cash flows and necessitate borrowings under our credit agreements. If customers do not proceed with the completion of significant projects or if significant defaults on customer payment obligations to us arise, or if we encounter disputes with customers involving such payment obligations, we may face difficulties in collecting payment of amounts due to us, including for costs we previously incurred. In addition, some of our customers for large EPCI projects are project-specific entities that do not have significant assets other than their interests in the EPCI project, and it may be even more difficult to collect amounts owed to us by those customers if any of the problems or issues referred to above arise. Our failure to collect amounts owed to us could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

We are subject to risks associated with contractual pricing in our industry, including the risk that, if our actual costs exceed the costs we estimate on our fixed-price contracts, our profitability will decline, and we may suffer losses.

We offer our customers a range of commercial options for our contracts, including fixed-price, cost-reimbursable and hybrid, which has both fixed-price and cost-reimbursable components. Under fixed-price contracts, we perform our services and execute our projects at an established price. 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. Under cost-reimbursable contracts, if we are unable to obtain proper reimbursement for all costs incurred due to improper estimates, performance issues, customer disputes, or any of the other factors noted below for fixed-price contracts, the project may be less profitable than we expect.

We are engaged in a highly competitive industry, and we have contracted for a substantial number of projects on a fixed-price basis. In many cases, these projects involve complex design and engineering, significant procurement of equipment and supplies and extensive construction management and other activities conducted over extended time periods, sometimes in remote locations. Our actual costs related to these projects could exceed our projections. We attempt to cover the increased costs of anticipated changes in labor, material and service costs of long-term contracts, either through estimates of cost increases, which are reflected in the original contract price, or through price escalation clauses. Despite these attempts, however, the cost and gross profit we realize on a fixed-price contract could vary materially from the estimated amounts because of supplier, contractor and subcontractor performance, our own performance, including the quality and timeliness of work performed, failure to properly estimate costs of engineering, materials, components, equipment, labor or subcontractors, changes in job conditions, unanticipated weather conditions, variations in labor and equipment productivity and associated costs, increased labor costs due to an inflationary economy, increases in the cost of raw materials, particularly steel, over the term of the contract, difficulties in obtaining required governmental permits or approvals, changes in laws and regulations and changes in general economic conditions.

In the future, these factors and other risks generally inherent in the industry in which we operate may result in actual revenues or costs being different from those we originally estimated and may result in reduced profitability or losses on projects. Some of these risks include:

- our engineering, procurement and construction projects may encounter difficulties related to the procurement of materials, or due to schedule disruptions, equipment performance failures or other factors that may result in additional costs to us, reductions in revenues, claims or disputes;
- we may not be able to obtain compensation for additional work we perform or expenses we incur as a result of customer change orders or our customers providing deficient design or engineering information or equipment or materials;
- we may be required to pay significant amounts of liquidated damages upon our failure to meet schedule or performance requirements of our contracts; and
- difficulties in engaging third-party subcontractors, equipment manufacturers or materials suppliers or failures by third-party subcontractors, equipment manufacturers or materials suppliers to perform could result in project delays and cause us to incur additional costs.

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Performance problems relating to any significant existing or future contract arising as a result of any of these or other risks could cause our actual results of operations to differ materially from those we anticipate at the time we enter into the contract and could cause us to suffer damage to our reputation within our industry and our customer base. We believe that some of our current projects may incur losses, which may be material, over their lifetimes due to material cost overruns. As a result, we may experience asset impairments and be required to establish reserves with respect to projects if and when cost overruns are expected, and our results of operations and financial condition could be materially adversely affected.

The impact and effects of public health crises, pandemics and epidemics could adversely affect our business, financial condition and results of operations.

Public health crises, pandemics and epidemics, such as the COVID-19 pandemic, could materially adversely affect our business, financial condition and results of operations. Such events have resulted in and could again result in authorities implementing numerous measures to try to contain the disease, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns, among others. Such events have had and could again have widespread adverse impacts on the global economy, many of our facilities and on our employees, customers and suppliers. These and similar events have caused and may again cause supply chain constraints and disruptions and workforce availability issues as well.

Our use of “over time” revenue recognition could result in volatility in our results of operations.

We recognize revenues and profits from our long-term contracts over time as work progresses for contracts that satisfy the criteria for “over time” recognition. Accordingly, we review contract price and cost estimates periodically as the work progresses and reflect adjustments proportionate to the percentage of completion in income in the period when we revise those estimates. To the extent these adjustments result in a reduction or an elimination of previously reported profits with respect to a project, we would recognize a charge against current earnings, which could be material. Our current estimates of our contract costs and the profitability of our long-term projects, although reasonably reliable when made, could change as a result of the uncertainties associated with these types of contracts, and if adjustments to overall contract costs are significant, the reductions or reversals of previously recorded revenues and profits could be material in future periods. In addition, change orders, which are a normal and recurring part of our business, can increase (and sometimes substantially) the future scope and cost of a job. Therefore, change order awards (although frequently beneficial in the long term) can have the short-term effect of reducing the job percentage of completion and thus the revenues and profits that otherwise would be recognized to date. Additionally, to the extent that claims included in our Remaining Performance Obligations (“RPOs”), including those which arise from change orders which are under dispute or which have been previously rejected by the customer, are not resolved in our favor, there could be reductions in, or reversals of, previously reported amounts of revenues and profits, and charges against current earnings, all of which could be material.

Our Remaining Performance Obligations are subject to unexpected adjustments and cancellations.

The revenues projected in our RPOs may not be realized or, if realized, may not result in profits. Because of project cancellations or changes in project scope and schedule, we cannot predict with certainty when or if projects reflected in our RPOs will be performed. In addition, even where a project proceeds as scheduled, it is possible that contracted parties may default and fail to pay amounts owed to us, or poor project performance could increase the cost associated with a project. Delays, suspensions, cancellations, payment defaults, scope changes and poor project execution could materially reduce the revenues and reduce or eliminate profits that we actually realize from projects reflected in our RPOs.

Reductions in our RPOs due to cancellation or modification by a customer or for other reasons may adversely affect, potentially to a material extent, the revenues and earnings we actually receive from contracts included in our RPOs. Many of the contracts included in our RPOs provide for cancellation fees in the event customers cancel projects. These cancellation fees usually provide for reimbursement of our out-of-pocket costs, revenues for work performed prior to cancellation and a varying percentage of the profits we would have realized had the contract been completed. However, we typically have no contractual right upon cancellation to the total revenues reflected in our RPOs. Projects may remain in our RPOs for extended periods of time. If we experience significant project suspensions, cancellations or scope adjustments to contracts reflected in our RPOs, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

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We may be exposed to additional risks as we obtain significant new awards and execute our RPOs, including greater RPOs concentration in fewer projects, potential cost overruns and increasing requirements for letters of credit, each of which could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

As we obtain significant new project awards and convert the RPOs into revenues, these projects may use larger sums of working capital than other projects and may be concentrated among a smaller number of customers. If any significant projects currently included in our RPOs or awarded in the future were to have material cost overruns, or are significantly delayed, modified or canceled, and we are unable to replace the projects in our RPOs, our business, financial condition, results of operations and cash flows could be materially and adversely impacted.

Additionally, as we convert our significant projects from RPOs into active operational phases, we may face significantly greater requirements for the provision of working capital, letters of credit or other forms of credit enhancement. We can provide no assurance that we will be able to access such capital and credit as may be needed or that we would be able to do so on terms we believe to be economically attractive.

We have a substantial investment in our marine fleet. At times, a vessel or several vessels may require increased levels of maintenance and capital expenditures, may be less efficient than competitors' vessels for certain projects, and may experience mechanical failure with the inability to economically return to service. If we are unable to manage our fleet efficiently and find profitable market opportunities for our vessels, our results of operations may deteriorate and our financial condition and cash flows could be materially and adversely affected.

We operate a fleet of construction and multi-service vessels of varying ages. Some of our competitors' fleets and competing vessels in those fleets may be substantially newer than ours and more technologically advanced. Our vessels may not be capable of serving all markets and may require additional maintenance and capital expenditures, due to age or other factors, creating periods of downtime. In addition, customer requirements and laws of various jurisdictions may limit the use of older vessels or a foreign-flagged vessel, unless we are able to obtain an exception to such requirements and laws, which may not be available. Our ability to continue to upgrade our fleet depends, in part, on our ability to economically commission the construction of new vessels, as well as the availability to purchase in the secondary market newer, more technologically advanced vessels with the capabilities that may be required by our customers. If we are unable to manage our fleet efficiently and find profitable market opportunities for our vessels, our results of operations may deteriorate and our financial condition and cash flows could be materially and adversely affected.

Vessel construction, upgrade, refurbishment and repair projects are subject to risks, including delays and cost overruns, which could have an adverse impact on our available cash resources and results of operations.

We expect to make significant new construction and upgrade, refurbishment and repair expenditures for our vessel fleet from time to time, particularly in light of the aging nature of our vessels and requests for upgraded equipment from our customers. Some of these expenditures may be unplanned. Vessel construction, upgrade, refurbishment and repair projects may be subject to the risks of delay or cost overruns, including delays or cost overruns resulting from any one or more of the following:

- unexpectedly long delivery times for, or shortages of, key equipment, parts or materials;
- shortages of skilled labor and other shipyard personnel necessary to perform the work;
- shipyard delays and performance issues;
- failures or delays of third-party equipment vendors or service providers;
- unforeseen increases in the cost of equipment, labor and raw materials, particularly steel;
- work stoppages and other labor disputes;
- unanticipated actual or purported change orders;
- disputes with shipyards and suppliers;
- design and engineering problems;
- latent damages or deterioration to equipment and machinery in excess of engineering estimates and assumptions;
- financial or other difficulties at shipyards;
- interference from adverse weather conditions;

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- difficulties in obtaining necessary permits or in meeting permit conditions; and
- customer acceptance delays.

Significant cost overruns or delays could materially affect our financial condition and results of operations. Additionally, capital expenditures for vessel construction, upgrade, refurbishment and repair projects could materially exceed our planned capital expenditures. The failure to complete such a project on time, or the inability to complete it in accordance with its design specifications, may, in some circumstances, result in loss of revenues, penalties, or delay, renegotiation or cancellation of a contract. In the event of termination of one of these contracts, we may not be able to secure a replacement contract on as favorable terms. Moreover, our vessels undergoing upgrade, refurbishment and repair activities may not earn revenues during periods when they are out of service.

We depend on a relatively small number of customers.

We derive a significant amount of our revenues and profits from a relatively small number of customers in a given year. Our significant customers include major integrated and national oil and gas exploration and development companies. Our inability to continue to perform substantial services for our large existing customers (whether due to our failure to satisfy their bid tender requirements, disappointing project performance, the adequacy of our sources of liquidity and credit capacity, changing political conditions and changing laws and policies affecting trade and investment, disagreements with respect to new (or potentially new) ventures or other business opportunities), or delays in collecting receivables from these customers, could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

We may not be able to compete successfully against current and future competitors.

The industry in which we operate is highly competitive and requires substantial resources and capital investment in equipment, technology and skilled personnel, as well as credit capacity. Several of our competitors have greater financial or other resources than we have. Competition also places downward pressure on our contract prices and margins. Intense competition is expected to continue in our markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable margins. In particular, some of our competitors or potential competitors serving the offshore oil and gas exploration and development industry offer a broader range of subsea production system (“SPS”) and subsea umbilicals, risers and flowlines (“SURF”) services than we provide and have been gaining success in marketing those services on an integrated or “packaged” basis to customers around the world. Our operations may be adversely affected if our current competitors or new market entrants successfully offer SPS and SURF services on an integrated basis in a manner that we may be unable to match, even with our alliance and joint venture arrangements, or introduce new facility designs or improvements to engineering, procurement, construction or installation services. If we are unable to meet these and other competitive challenges, we could lose market share to our competitors and experience reductions in our results of operations and cash flows.

Our employees work on projects that are inherently dangerous. If we fail to maintain safe work sites, we can be exposed to significant financial losses and reputational harm.

Safety is a leading focus of our business, and our safety record is critical to our reputation and is of paramount importance to our employees, customers and stockholders. However, we often work on large-scale and complex projects which can place our employees and others near large mechanized equipment, moving vehicles, dangerous processes or highly regulated materials and in challenging environments. Although we have a functional group whose primary purpose is to implement effective quality, health, safety, environmental and security procedures throughout our company, if we fail to implement effective safety procedures, our employees and others may become injured, disabled or lose their lives, our projects may be delayed and we may be exposed to litigation or investigations.

Unsafe conditions at project work sites also have the potential to increase employee turnover, increase project costs and raise our operating costs. Additionally, many of our customers require that we meet certain safety criteria to be eligible to bid for contracts, and our failure to maintain adequate safety standards could result in reduced profitability or lost project awards or customers. Any of the foregoing could result in financial losses or reputational harm, which could have a material adverse impact on our business, financial condition and results of operations.

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We are exposed to potential risks and uncertainties associated with our use of joint venture arrangements and our subcontracting and vendor arrangements to execute certain projects.

In the ordinary course of business, we execute specific projects and conduct certain operations through joint venture, consortium and other collaborative arrangements (collectively referred to as “joint ventures”). We have various ownership interests in these joint ventures, with such ownership typically proportionate to our decision-making and distribution rights. Services may be performed directly by the joint ventures or in combination with us or our co-venturers.

The use of these joint ventures exposes us to a number of risks, including the risk that our co-venturers may be unable or unwilling to provide their share of capital investment to fund the operations of the joint ventures or complete their obligations to us, the joint ventures or, ultimately, the customers. Differences in opinions or views among co-venturers could also result in delayed decision-making or failure to make decisions, which could adversely affect the business and operations of the applicable joint venture. In addition, agreement terms may subject us to joint and several liability for our co-venturers, and the failure of our co-venturers to perform their obligations could impose additional performance and financial obligations on us. For example, the contractual arrangements relating to our existing LNG projects provide for joint and several liability of the co-venturers for contractual liabilities to the applicable customers. These factors could result in unanticipated costs to complete projects, liquidated damages or contract disputes, including claims against our co-venturers, any of which could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Additionally, we rely on third parties, including equipment manufacturers and subcontractors, to assist in the completion of our projects. To the extent these parties cannot execute their portion of the work and are unable to deliver their services, equipment or materials according to the contractual terms, or to the extent we cannot engage subcontractors or acquire equipment or materials, our ability to complete a project in a timely manner may be impacted. If the amount we are required to pay for these goods and services exceeds the amount we have included in the estimates for our work, we could experience project losses or a reduction in estimated profitability.

We face risks associated with investing in foreign subsidiaries and joint ventures, including the risks that our joint ventures may not be able to effectively or efficiently manage their operations, that joint venture operations create a liability, known or unknown, and that we may be restricted in our ability to access the cash flows or assets of those entities.

We conduct substantial operations through foreign subsidiaries and joint ventures. We do not fully control all of our joint ventures. Even in those joint ventures that we fully control, we may be required to consider the interests of our co-venturers in connection with decisions concerning the operations of the joint ventures, which in our belief may not be as efficient or effective as in our wholly owned subsidiaries. We may also be affected by the known or unknown actions or omissions of the joint venture and our co-venturers, to the extent that they affect the operations of the applicable joint venture. We may experience difficulties relating to the assimilation of personnel, services and systems in the joint venture’s operations or the appropriate transfer of communications and data between us and the joint venture. Any failure to efficiently and effectively operate a joint venture with our co-venturers may cause us to fail to realize the anticipated benefits of entering into the joint venture and could adversely affect our operating results for the joint venture. Also, our foreign subsidiaries and joint ventures sometimes face governmentally imposed restrictions on their ability to transfer funds to us. As a result, arrangements involving foreign subsidiaries and joint ventures may restrict us from gaining access to the cash flows or assets of these entities. Additionally, complexities may arise from the termination of our ownership interests in foreign subsidiaries and joint ventures (whether through a sale of equity interests, dissolution, winding-up or otherwise). Those complexities may include issues such as proper valuations of assets, provisions for resolution of trailing liabilities and other issues as to which we may not be aligned with other owners, participants, creditors, customers, governmental entities or other persons or entities that have relationships with such foreign subsidiaries and joint ventures. Resolution of any such issues could give rise to unanticipated expenses or other cash outflows, the loss of potential new contracts or other adverse impacts on our business, any of which could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Our international operations are subject to political, economic and other uncertainties.

We derive substantial revenues from international operations. Our international operations are subject to political, economic and other uncertainties. These include:

- risks of war, terrorism, piracy and civil unrest, such as the current situation in Mozambique described in this report and both the Russia-Ukraine and Hamas-Israel conflicts;
- public health crises, such as COVID-19, Severe Acute Respiratory Syndrome, severe influenza and other highly communicable viruses or diseases, that could limit access to our facilities or offices or those of our customers, subcontractors

or suppliers, impose travel restrictions on our personnel or otherwise adversely affect our operations or demand for our services;

- expropriation, confiscation or nationalization of our assets;
- renegotiation or nullification of our existing contracts;
- changing political conditions and changing laws and policies, including sanctions, affecting trade and investment;
- increased costs, lower revenues and RPOs and decreased liquidity resulting from a full or partial break-up of the EU or its currency, the Euro;
- the lack of well-developed legal systems in some countries in which we make capital investments, operate or provide services, which could make it difficult to enforce our rights;
- overlap of multiple tax regimes;
- macroeconomic factors, including rising interest rates, inflation and possible recession;
- risk of changes in currency exchange rates, currency devaluations and currency exchange restrictions that limit our ability to convert local currencies into U.S. dollars; and
- risks associated with the assertion of national sovereignty over areas in which our operations are conducted.

We also may be particularly susceptible to regional conditions that may adversely affect our operations. Our major marine construction vessels typically require relatively long periods of time to mobilize over long distances, which could affect our ability to withdraw them from areas of conflict. Additionally, certain of our fabrication facilities are located in regions where conflicts may occur and limit or disrupt our operations. Certain of our insurance coverages could also be cancelled by our insurers. The impacts of these risks are very difficult to cost effectively mitigate or insure against and, in the event of a significant event impacting the operations of one or more of our fabrication facilities, we will very likely not be able to easily replicate the fabrication capacity needed to meet existing contractual commitments, given the time and cost involved in doing so. Any failure by us to meet our material contractual commitments could give rise to loss of revenues, claims by customers and loss of future business opportunities, which could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Various foreign jurisdictions have laws limiting the right and ability of foreign subsidiaries and joint ventures to pay dividends and remit earnings to affiliated companies. Our international operations sometimes face the additional risks of fluctuating currency values, hard currency shortages and controls of foreign currency exchange, as well as the application of local customs laws and imposition of duties thereunder.

We are also subject to the U.S. Treasury Department's Office of Foreign Assets Control and other U.S. and non-U.S. laws and regulations governing our international operations. Failure to comply with these laws and regulations may subject us to criminal sanctions or civil remedies, including fines, denial of export privileges, injunctions or seizures of assets.

If our vendors, customers, co-venturers or other third parties fail to use ethical business practices and to comply with applicable laws and regulations, our image could be harmed due to negative publicity.

We have established and currently maintain operating guidelines which promote ethical business practices such as fair wage practices, compliance with child labor laws and other local laws. Although we monitor compliance with those guidelines, we do not control our vendors, customers, co-venturers or other third parties or their business practices. Accordingly, we cannot guarantee their compliance with our guidelines.

Violations of labor or other laws by our vendors, customers, co-venturers or other third parties or the divergence of their labor or other practices from those generally accepted as ethical in the United States or other markets in which we do business could also attract negative publicity for us.

Monitoring compliance by our vendors, customers, co-venturers and other third parties is complicated by the fact that expectations of ethical business practices evolve, may be substantially more demanding than applicable legal requirements and are driven in part by legal developments and by diverse groups active in publicizing and organizing public responses to perceived ethical shortcomings. Accordingly, we cannot predict how such expectations might develop in the future and cannot be certain that our guidelines would satisfy all parties who are active in monitoring and publicizing perceived shortcomings in labor and other business practices worldwide.

RISK FACTORS

The loss of the services of one or more of our key personnel, or our failure to attract, assimilate and retain trained personnel at a competitive cost, or decreased productivity of such personnel, could disrupt our operations and have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Our success depends on the continued active participation of our executive officers and key operating personnel. The unexpected loss of the services of any one of these persons could adversely affect our operations and future operating results. This may adversely affect our ability to attract and retain key personnel, which could adversely affect our performance.

Our operations require the services of employees having the technical training and experience necessary to obtain the proper operational results. As such, our operations depend, to a considerable extent, on the continuing availability and productivity of such personnel. If we should suffer any material loss of personnel to competitors, have decreased labor productivity of employed personnel for any reason, or be unable to employ additional or replacement personnel with the requisite level of training and experience to adequately operate our businesses, our operations could be adversely affected. A significant increase in the wages or other compensation paid by other employers could result in a reduction in our workforce, increases in wage rates, or both. Our industry has historically experienced high demand for the services of employees and escalating wage rates. If any of these events occurred for a significant period of time, they could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Work stoppages, union negotiations and other labor problems could adversely affect us.

A portion of our employees are represented by labor unions. A prolonged strike or work stoppage and other labor disruptions at any of our facilities or involving any of our significant projects could have an adverse effect on us. There is inherent risk that ongoing or future negotiations relating to collective bargaining agreements or union representation may not be favorable to us. From time to time, we also have experienced attempts to unionize some of our nonunion operations. Such efforts can often disrupt or delay work and present risk of labor unrest.

Legal, Contractual and Regulatory Risks

Our operations are subject to operating risks and limits on insurance coverage and contractual indemnity protections, which could expose us to potentially significant liabilities and costs.

We are subject to a number of risks inherent in our operations, including:

- accidents resulting in injury or the loss of life or property;
- environmental or toxic tort claims, including delayed manifestation claims for personal injury or loss of life;
- pollution or other environmental mishaps;
- hurricanes, tropical storms and other adverse weather conditions;
- mechanical or equipment failures, including with respect to newer technologies;
- collisions;
- property losses;
- business interruption due to political action, violent civil unrest or terrorism (such as the current situation in Mozambique as described in this report and both the Russia-Ukraine and Hamas-Israel conflicts) or other reasons; and
- labor stoppages.

We have been, and in the future we may be, named as defendants in lawsuits asserting large claims as a result of litigation arising from events such as these. In addition, we design, engineer, procure, construct, install and provide services (including fabrication of pipe, tanks, platforms and other large, complex structures) for large industrial facilities in which system failure can be disastrous. We may be subject to claims resulting from the subsequent operations of facilities we have designed, engineered, constructed or installed or for which we have provided other services. Under some of our contracts, we must use customer-specified metals or processes for producing or fabricating items for our customers. The failure of any of these metals or processes (whether or not customer-specified) could result in warranty claims against us for significant replacement or rework costs, which could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

RISK FACTORS

Insurance against some of the risks inherent in our operations is either unavailable or available only at rates that we consider uneconomical. Also, catastrophic events customarily result in decreased coverage limits, more limited coverage, additional exclusions in coverage, increased premium costs and increased deductibles and self-insured retentions. Risks that we have frequently found difficult to cost-effectively insure against include, but are not limited to, business interruption (including from the loss of or damage to a vessel), property losses from wind, flood and earthquake events, war and confiscation or seizure of property (including by act of piracy), acts of terrorism, strikes, riots, civil unrest and malicious damage, pollution liability, liabilities related to occupational health exposures (including asbestos), professional liability, such as errors and omissions coverage, coverage for costs incurred for investigations related to breaches of laws or regulations, the failure, misuse or unavailability of our information systems or security measures related to those systems, and liability related to risk of loss of our work in progress and customer-owned materials in our care, custody and control. Depending on competitive conditions and other factors, we endeavor to obtain contractual protection against certain uninsured risks from our customers. When obtained, such contractual indemnification protection may not be as broad as we desire or may not be supported by adequate insurance maintained by the customer. In addition, we may have difficulty enforcing our contractual rights with others following a material loss. Insurance or contractual indemnity protection may not be sufficient or effective under all circumstances or against all hazards to which we may be subject. A successful claim for which we are not insured, for which we are underinsured or for which our contractual indemnity is insufficient could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

We have captive insurance company subsidiaries which provide us with various insurance coverages. Claims could adversely impact the ability of our captive insurance company subsidiaries to respond to all claims presented.

Our failure to successfully defend against claims made against us by customers, suppliers or subcontractors, or our failure to recover adequately on claims made by us against customers, suppliers or subcontractors, or claims relating to hazardous substances, could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Our projects generally involve complex design and engineering, significant procurement of equipment and supplies and construction management. We may encounter difficulties in design or engineering, equipment or supply delivery, schedule changes and other factors, some of which are beyond our control, that affect our ability to complete projects in accordance with the original delivery schedules or to meet other contractual performance obligations. We occasionally bring claims against customers for additional costs exceeding contract prices or for amounts not included in original contract prices. These types of claims may arise due to matters such as customer-caused delays or changes from the initial project scope, which may result in additional costs, both direct and indirect. From time to time, claims are the subject of lengthy and expensive arbitration or litigation proceedings, and it is often difficult to accurately predict when those claims will be fully resolved. When these types of events occur, and unresolved claims are pending, we may invest significant working capital in projects to cover cost overruns pending the resolution of the claims. In addition, claims may be brought against us by customers in connection with our contracts. Claims brought against us may include back charges for alleged defective or incomplete work, breaches of warranty and/or late completion of the work and claims for cancelled projects. The claims can involve actual damages, as well as contractually agreed-upon liquidated sums. Claims among us and our suppliers and subcontractors include claims similar to those described above. These claims, if not resolved through negotiation, may also become subject to lengthy and expensive arbitration or litigation proceedings. Claims among us, our customers, suppliers and subcontractors could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

In addition, we are from time to time involved in various litigation and other matters related to hazardous substances encountered in our business. In particular, the numerous operating hazards inherent in our business increase the risk of toxic tort litigation relating to any and all consequences arising out of human exposure to hazardous substances, including, without limitation, current or past claims involving asbestos-related materials, formaldehyde, Cesium 137 (radiation), mercury and other hazardous substances, and related claims for environmental or property damage. As a result, we are subject to potentially material liabilities related to personal injuries or environmental or property damages that may be caused by hazardous substance releases and exposures. The outcome of such litigation is inherently uncertain and adverse developments or outcomes can result in significant monetary damages, penalties, other sanctions or injunctive relief against us, limitations on our property rights, or regulatory interpretations that increase our operating costs. If any of these disputes result in a substantial monetary judgment against us or an adverse legal interpretation is settled on unfavorable terms, or otherwise affects our operations, it could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

We are a Bermuda corporation with worldwide operations, including material business operations in the United Kingdom (the "U.K.") and Europe. The U.K. exited the EU ("Brexit") on January 31, 2020, consistent with the terms of the EU-U.K. Withdrawal Agreement, with a transition period that ended on December 31, 2020. On January 1, 2021, the U.K. left the EU Single Market and Customs Union as well as all EU policies and international agreements. As a result, the free movement of persons, goods, services and capital between the U.K. and the EU ended, and the EU and the U.K. formed two separate markets and two distinct regulatory and legal spaces. A Trade and Cooperation Agreement ("TCA") to govern many aspects of the relationship between the EU and the U.K. applied provisionally as of January 1, 2021 and formally entered into force on May 1, 2021. Certain aspects of the TCA are limited in time; other aspects of the TCA require further negotiation and agreement; and yet other aspects of the economic and trading relationship between the EU and the U.K. remain wholly outside the scope of the TCA.

The TCA ensures that tariffs and quotas will not be applied to the trade of goods between the EU and the U.K. provided that the goods comply with the appropriate rules of origin. However, the TCA does not eliminate the application of non-tariff checks on goods entering the EU from the U.K., and vice versa. The uncertainties related to these checks could have a material adverse effect on trade between the U.K. and the EU. More generally, uncertainties related to the implications of Brexit may impact global economic conditions and the stability of the global financial markets, and could also significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Lack of clarity about applicable future laws, regulations or treaties governing the U.K.'s future relationship with the EU, including financial laws and regulations, tax and free trade agreements with third countries, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws, employment laws, and other rules that could apply to us and our subsidiaries, could increase our costs, restrict our access to capital within the U.K. and the EU, depress economic activity and further decrease foreign direct investment in the U.K. For example, withdrawal from the EU has eliminated the benefit of certain tax-related EU directives which were formerly applicable to U.K.-tax-resident companies, including the Parent-Subsidiary Directive and the Interest and Royalties Directive, which could, subject to any relief under an available tax treaty, raise our tax costs. The U.K.'s Retained EU Law Act, which revoked certain EU-derived legislation and provides powers for ongoing reform of EU-derived laws, further contributes to uncertainty regarding the implications of Brexit.

Any of these factors could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

A change in tax laws could have a material adverse effect on us by substantially increasing our corporate income taxes and, consequently, decreasing our future net income and increasing our future cash outlays for taxes.

We operate through various subsidiaries in jurisdictions throughout the world. Consequently, we are subject to changes in applicable tax laws, treaties or regulations (and the interpretation or enforcement thereof) in the jurisdictions where we or any of our subsidiaries are organized or have operations. Recently, taxing authorities have focused legislative efforts on tax reform, transparency, and base erosion prevention. Policies regarding corporate income and other taxes in various jurisdictions are under heightened scrutiny and tax reform legislation is being proposed or enacted in several jurisdictions. In particular the Organization for Economic Co-operation and Development ("OECD") has proposed measures to address corporate tax regarding Base Erosion and Profit Shifting. These measures include a two-pillar approach, endorsed by member jurisdictions globally, that focuses on nexus, profit allocation, and minimum tax proposals. The OECD continues to develop the technical and implementation details of the approach for future adoption by jurisdictions. As the OECD continues its work, several territories have enacted or proposed measures to increase the tax base and impose new taxes on companies. McDermott International, Ltd is a corporation organized under the laws of Bermuda and operates in a number of low tax jurisdictions.

These tax reforms could result in a substantial increase in our corporate income taxes and, consequently, a decrease in our future net income and an increase in our future cash outlays for taxes. In addition, tax legislative proposals intending to eliminate some perceived tax advantages of companies that have legal domiciles outside the U.S. but operate in the U.S. through one or more subsidiaries have been introduced in the U.S. Congress in the past. Examples include, but are not limited to, legislative proposals that would broaden the circumstances in which a non-U.S. company would be considered a U.S. resident for U.S. tax purposes. We are unable to predict the final form in which any proposed legislation might become law or the nature of regulations that may be promulgated under any such future legislative enactments.

RISK FACTORS

The U.S. enacted the Inflation Reduction Act (the “IRA”) on August 16, 2022. The IRA contains several revisions to the Internal Revenue Code, including a 15% minimum tax on corporations with adjusted financial income in excess of \$1 billion and a 1% excise tax on certain corporate stock repurchases. We are not currently subject to the 15% minimum tax due to our profit profile in the U.S., but continue to monitor the potential impact of the IRA on our consolidated financial statements.

Employee, agent, representative or co-venturer misconduct or our overall failure to comply with laws or regulations could weaken our ability to win contracts, lead to the suspension of our operations and result in reduced revenues and profits.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities or detrimental business practices by one or more of our employees, agents, representatives or co-venturers (or any of their employees, agents or representatives) could have a significant negative impact on our business and reputation, even if unrelated to the conduct of our business and otherwise unrelated to us. Such misconduct could include the failure to comply with regulations on lobbying or similar activities, regulations pertaining to the internal control over financial reporting and various other applicable laws or regulations. The precautions we and our joint ventures take to prevent and detect fraud, misconduct or failures to comply with applicable laws and regulations may not be effective. A failure by our or any of our joint ventures’ employees, agents or representatives to comply with applicable laws or regulations or acts of fraud or misconduct or other improper activities or detrimental business practices, even if unrelated to the conduct of our business and otherwise unrelated to us, could subject us to fines and penalties, lead to the suspension of operations and/or result in reduced revenues and profits.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, U.K. Bribery Act, other applicable worldwide anti-corruption laws.

The U.S. Foreign Corrupt Practices Act (“FCPA”) and other applicable worldwide anti-corruption laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. These laws include the U.K. Bribery Act, which is broader in scope than the FCPA, as it contains no facilitating payments exception. We and several of our joint ventures operate in some countries that international corruption monitoring groups have identified as having high levels of corruption. Those activities create the risk of unauthorized payments or offers of payments by one of our employees, agents or representatives (or those of our joint ventures) that could be in violation of the FCPA or other applicable anti-corruption laws. Our training program and policies mandate compliance with applicable anti-corruption laws. Additionally, our global operations include the import and export of goods and technologies across international borders, which requires a robust compliance program. Although we have policies, procedures and internal controls in place to monitor internal and external compliance, we cannot assure that our policies and procedures will protect us from governmental investigations or inquiries surrounding actions of our employees, agents or representatives (or those of our joint ventures). If we or any of our joint ventures are found to be liable for violations of the FCPA, other applicable anti-corruption laws, other applicable laws and regulations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), civil and criminal penalties or other sanctions could be imposed, and negative or derivative consequences could materialize, all of which could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Environmental laws and regulations, including those related to climate change, and civil liability for environmental damage or related personal injuries or property damage may result in increases in our operating costs and capital expenditures and decreases in our earnings and cash flows, and may adversely impact our ability to obtain additional financing in the future.

Our businesses often involve working around and with volatile, toxic and hazardous substances and other regulated pollutants, substances or wastes. Environmental, health and safety laws and regulations generally impose limitations and standards for certain pollutants, substances, and wastes and require us to obtain permits and comply with various other requirements. Governmental requirements relating to the protection of the environment, including those requirements relating to solid waste management, air quality, water quality, generation, storage, handling, treatment and disposal of hazardous materials and cleanup of contaminated sites, as well as laws and regulations relating to human health and safety, have had and may continue to have a substantial impact on our operations and our access to capital. These requirements are complex and subject to frequent change as well as new restrictions.

RISK FACTORS

There is increasing attention in the United States and worldwide concerning the issue of climate change and the effect of GHGs and other sustainability and energy transition matters. This increased attention may result in new environmental laws or regulations that may unfavorably impact us, our suppliers and our customers. For example, because of concerns that carbon dioxide, methane and certain other greenhouse gases in the Earth's atmosphere may produce climate changes that have significant adverse impacts on public health and the environment, various governmental authorities have adopted and are continuing to consider the adoption of laws and regulatory strategies and controls designed to reduce the emission of greenhouse gases, which adoption in areas where we conduct business could require us or our customers to incur added costs to comply, result in delays or adversely affect demand for the oil and natural gas that some of our customers produce, thereby potentially limiting the demand for our services. The landscape continues to be in a state of constant re-assessment and legal challenge with respect to these governmental actions, making it difficult to predict with certainty the ultimate impact they will have on our customers and us. Our failure to comply with existing or new environmental, health and safety requirements may result in the assessment of administrative, civil and criminal penalties, the revocation or denial of permits, the imposition of investigatory or remedial obligations or the issuance of orders enjoining performance of some or all of our operations, any or all of which could adversely affect our relationships with our customers and other parties with whom we do business, including our lenders and prospective providers of capital. In some cases, these requirements can impose liability for the entire cost of cleanup on any responsible party without regard to negligence or fault and impose liability on us for the conduct of others or conditions others have caused, or for our acts that complied with all applicable requirements when we performed them. Our compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements or the future discovery of contamination may require us to make material expenditures or subject us to liabilities that we currently do not anticipate. We are also exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving pollutants, wastes or hazardous or other substances. Any such expenditures or liabilities, to the extent material, could adversely impact our access to capital and could otherwise have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Increasing attention to climate change, societal expectations on companies to address climate change, investor and societal expectations regarding voluntary ESG disclosures and consumer demand for alternative forms of energy may result in increased costs, reduced demand for our services, reduced profits, increased investigations and litigation and negative impacts on our access to capital markets. Increasing attention to climate change and environmental conservation, for example, may result in demand shifts for natural gas and oil products and our services.

Climate change could also increase the frequency and severity of adverse weather conditions, including hurricanes, typhoons, cyclones, winter storms and rough seas. If such effects were to occur, they could have an adverse impact on our operations. We may incur liabilities that may not be covered by insurance policies, or, if covered, the financial amount of such liabilities may exceed our policy limits or may fall within applicable deductible or retention limits. A partially or completely uninsured claim, if successful and of significant magnitude, could cause us to suffer a significant loss and reduce cash available for our operations.

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.

Our businesses require us to obtain, and to comply with, government permits, licenses and approvals.

Our businesses are required to obtain, and to comply with, government permits, licenses and approvals. Any of these permits, licenses or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits, licenses or approvals may adversely affect our operations by temporarily suspending our activities or curtailing our work and may subject us to penalties and other sanctions. Although existing permits and licenses are routinely renewed by various regulators, renewal could be denied or jeopardized by various factors, including:

- failure to provide adequate financial assurance for closure;
- failure to comply with environmental and safety laws and regulations or permit conditions;
- local community, political or other opposition;
- executive action; and
- legislative action.

RISK FACTORS

In addition, if new environmental legislation or regulations are enacted or implemented, or existing laws or regulations are amended or are interpreted or enforced differently, we may be required to obtain additional operating permits, licenses or approvals. Our inability to obtain, and to comply with, the permits, licenses and approvals required for our businesses could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Our customers' and our co-venturers' abilities to receive applicable regulatory and environmental approvals for our projects and the timeliness of those approvals could adversely affect us.

The regulatory permitting process for various of our projects requires significant investments of time and money by our customers and sometimes by us and our co-venturers. There are no assurances that we or our customers will obtain the necessary permits and other approvals for these projects. Applications for permits and other approvals to operate newly constructed facilities, including air emissions permits, may be opposed by government entities, individuals, communities or environmental groups, resulting in delays and possible non-issuance of the permits.

We are subject to government regulations that may adversely affect our future operations.

Many aspects of our operations and properties are affected by political developments and are subject to both domestic and foreign governmental regulations, including those relating to:

- constructing and equipping of production platforms and other offshore facilities;
- marine vessel safety;
- the operation of foreign-flagged vessels in coastwise trade;
- currency conversions and repatriation;
- customs duties applicable to the importation of products or goods into foreign jurisdictions;
- oil exploration and development;
- clean air and other environmental protection legislation;
- taxation of foreign earnings and earnings of expatriate personnel;
- data privacy and cybersecurity legislation;
- required use of local employees and suppliers by foreign contractors; and
- requirements relating to local ownership.

In addition, we depend to a large extent on the demand for certain of our services from the oil and gas exploration and development industry and, therefore, we are generally affected by changing taxes and price controls, as well as new or amendments to existing laws, regulations, or other government controls imposed on the oil and gas exploration and development industry generally, whether due to a particular incident or because of shifts in political decision making. The adoption of laws and regulations curtailing offshore exploration and development drilling for oil and gas for economic and other policy reasons could adversely affect our operations by limiting the demand for our services. In the U.S. Gulf of Mexico, regulatory initiatives developed and implemented at the federal level have imposed stringent safety, permitting and certification requirements on oil and gas companies pursuing exploration, development and production activities, which, at times, have resulted in increased compliance costs, added delays in drilling and a more aggressive enforcement regimen by regulators.

Additionally, certain ancillary activities related to the offshore construction business, including the transportation of personnel and equipment between ports and the fields of work in the same country's waters, may constitute "coastwise trade" within the meaning of laws and regulations of the U.S. and other countries. Under these laws and regulations, often referred to as cabotage laws, including the Merchant Marine Act of 1920, as amended (the "Jones Act"), in the U.S., only vessels meeting specific national ownership and registration requirements or which are subject to an exception or exemption, may engage in such "coastwise trade." When we operate our foreign-flagged vessels, we operate within the current interpretation of such cabotage laws with respect to permitted activities for foreign-flagged vessels. Significant changes in cabotage laws or to the interpretation of such laws in the places where we perform offshore activities could affect our ability to operate, or competitively operate, our foreign-flagged vessels in those waters. We are also subject to the risk of the enactment or amendment of cabotage laws in other jurisdictions in which we operate, which could negatively impact our operations in those jurisdictions.

RISK FACTORS

We cannot determine the extent to which our future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

Risks Related to Our Liquidity and Capital Resources and Financial Markets

We may be unable to refinance our outstanding letters of credit facilities at maturity or the refinancing terms may be less favorable than the terms of our original letters of credit facilities. Our inability to refinance or amend the terms of our letters of credit facilities could have a material adverse effect on our business, financial condition and results of operations.

We continue to evaluate potential financing transactions, including obtaining incremental letters of credit facilities and extending maturities as well as potential transactions pursuant to which third parties may provide financing to us or otherwise engage in transactions to provide liquidity to us. There can be no assurance as to which, if any, of these alternatives we may pursue as the choice of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our organizational documents, existing financing agreements and the consents we may need to obtain under the relevant documents. There also can be no assurance that refinancing will be available to us on acceptable terms or at all. If we are unable to refinance letters of credit facilities, which could result in an event of default under various agreements, our assets may not be sufficient to repay in full the amounts owed to creditors. Our ability to refinance will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of letters of credit facilities could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Further, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to participate in such refinancing) result in higher interest rates upon refinancing, then the interest expense relating to that refinanced facility would increase. Any inability to refinance our outstanding letters of credit facilities could have a material adverse effect on our business, financial condition and results of operations.

We are vulnerable to significant fluctuations in our liquidity that may vary substantially over time.

Our operations could require us to utilize large sums of working capital, sometimes on short notice and sometimes without assurance of recovery of the expenditures. Circumstances or events that could create large cash outflows include increased costs or losses resulting from fixed-price or hybrid contracts, inability to achieve contractual billing or payment milestones, inability to recover unapproved change orders or claims, environmental liabilities, litigation risks, unexpected costs or losses resulting from previous acquisitions, contract initiation or completion delays, political conditions, customer payment problems, inflation, recession risks, foreign exchange risks and professional and product liability claims.

Volatility and uncertainty of the financial markets may negatively impact us.

We intend to finance our existing operations and initiatives, primarily with cash and cash equivalents, investments, cash flows from operations and borrowings from our lenders. We also enter into various financial derivative contracts, including foreign currency forward contracts and interest rate swaps with banks and other financial institutions, to manage our foreign exchange rate risk and interest rate risk. In addition, we maintain our cash balances and short-term investments in accounts held by major banks and financial institutions located globally, and some of those accounts hold deposits that exceed available insurance. If national and international economic conditions deteriorate, including due to a financial crisis or economic recession, it is possible that we may not be able to refinance our outstanding indebtedness when it becomes due, and we may not be able to obtain alternative financing on favorable terms. Furthermore, if investors or financial institutions shift funding away from companies in the energy industry, our access to capital could be negatively impacted. It is possible that one or more of the financial institutions in which we hold our cash and investments could become subject to bankruptcy, receivership or similar proceedings. As a result, we could be at risk of not being able to access material amounts of our cash, which could result in a temporary liquidity crisis that could impede our ability to fund operations. Some of our customers, suppliers and subcontractors have traditionally accessed commercial financing and capital markets, as well as government backed export credit agency support to fund their operations or projects, and the availability of funding from those sources could be adversely impacted by volatile credit markets. A deterioration in the credit markets could adversely affect the ability of many of our customers to pursue new projects requiring our services or to pay us on time, and the ability of many of our suppliers and subcontractors to meet our needs on a competitive basis. Our financial derivative contracts involve credit risk associated with our hedging counterparties, and a deterioration in the financial markets, including the markets with respect to any particular currencies, such as the Euro, could adversely affect our hedging counterparties and their abilities to fulfill their obligations to us.

The agreements that govern our indebtedness contain various covenants that impose restrictions on us and certain of our subsidiaries that may affect our ability to operate our business.

The agreements that govern our indebtedness contain various affirmative and negative covenants that, subject to various exceptions, restrict our ability and the ability of certain of our subsidiaries to, among other things, incur indebtedness, allow our property to be subject to liens, make investments and acquisitions, make dividends and other distributions, change the nature of our business, transact business with affiliates, merge or consolidate and sell or convey our assets. In addition, some of the agreements that govern the indebtedness contain covenants that require the maintenance of specified financial ratios. Our ability and our subsidiaries' ability to comply with those provisions may be affected by events beyond our control. Failure to comply with our debt covenants could result in an event of default, which, if not cured or waived, could accelerate the applicable repayment obligations.

Our debt and related debt service obligations could have negative consequences.

Our debt and related debt service obligations could have negative consequences, including:

- requiring us to dedicate significant cash flows from operations to the payment of principal, interest and other amounts payable on our debt, which would reduce the funds we have available for other purposes, such as working capital, capital expenditures and acquisitions;
- making it more difficult or expensive for us to obtain any necessary future financing for working capital, capital expenditures, debt service requirements, debt refinancing, acquisitions or other purposes;
- reducing our flexibility in planning for or reacting to changes in our industry and market conditions;
- making us more vulnerable in the event of a downturn in our business; and
- exposing us to increased interest rate risk given that a portion of our debt obligations are at variable interest rates.

Maintaining adequate letter of credit and bonding capacity is necessary for us to successfully bid on and win various contracts.

In line with industry practice, we are often required to post standby letters of credit to customers or enter into surety bond arrangements in favor of customers. Those letters of credit and surety bond arrangements generally indemnify or protect customers against our failure to perform our obligations under the applicable contracts. However, the terms of those letters of credit, including terms relating to the customer's ability to draw upon the letter of credit and the amount of the letter of credit required, can vary significantly. If a letter of credit or surety bond is required for a particular project and we are unable to obtain it due to insufficient liquidity or other reasons, we may not be able to pursue that project. We have limited capacity for letters of credit, and we rely substantially on bilateral letters of credit from various issuing banks in a number of foreign markets. Moreover, due to events that affect the credit markets generally, letters of credit may be more difficult to obtain in the future or may only be available at significant additional cost. Letters of credit, including through our bilateral arrangements (which are cancelable in the discretion of the issuing banks), may not continue to be available to us on reasonable terms. Our inability to obtain adequate letters of credit and surety bonds and, as a result, to bid on new work could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Foreign exchange risks and fluctuations may affect our profitability on certain projects.

We operate on a worldwide basis with substantial operations outside the U.S. that subject us to currency exchange risks. In order to manage some of the risks associated with foreign currency exchange rates, we seek to enter into foreign currency derivative (hedging) instruments, especially when there is currency risk exposure that is not naturally mitigated via our contracts. However, these instruments may not always be available to us and, even if available, may not always eliminate all currency risk exposure, in particular for our long-term contracts. A disruption in the foreign currency markets, including the markets with respect to any particular currencies such as Russia due to current sanctions or any additional sanctions or other intergovernmental actions that may be undertaken against Russia in the future that may result in the devaluation of Russian currency or a downgrade in the country's credit rating, could adversely affect our hedging instruments and subject us to additional currency risk exposure. We do not enter into derivative instruments for trading or other speculative purposes. Our operational cash flows and cash balances may consist of different currencies at various points in time in order to execute our project contracts globally and meet transactional requirements. Non-U.S. asset and liability balances are subject to currency fluctuations when measured period to period for financial reporting purposes in U.S. dollars.

RISK FACTORS

Pension and post-retirement expenses associated with our retirement benefit plans may fluctuate significantly depending on changes in actuarial assumptions, future market performance of plan assets and legislative or other regulatory actions.

A portion of our current and retired employee population is covered by pension and post-retirement benefit plans, the costs and funding requirements of which depend on various assumptions, including estimates of rates of return on benefit-related assets, discount rates for future payment obligations, rates of future cost growth and trends for future costs. Variances from these estimates could have a material adverse effect on us. In addition, funding requirements for benefit obligations of our pension and post-retirement benefit plans are subject to legislative and other government regulatory actions.

Risks Related to Intellectual Property, Information Technology and Data Privacy

We rely on intellectual property law and confidentiality agreements to protect our intellectual property. We also rely on intellectual property we license from third parties. Our failure to protect our intellectual property rights, or our inability to obtain or renew licenses to use intellectual property of third parties, could adversely affect our business.

Our success depends, in part, on our ability to protect our proprietary information and other intellectual property. Our intellectual property could be challenged, invalidated, circumvented or rendered unenforceable. In addition, effective intellectual property protection may be limited or unavailable in some foreign countries where we operate.

Our failure to protect our intellectual property rights may result in the loss of valuable technologies or adversely affect our competitive business position. We rely significantly on proprietary technology, information, processes and know-how that are not subject to patent or copyright protection. We seek to protect this information through trade secret or confidentiality agreements with our employees, consultants, subcontractors or other parties, as well as through other security measures. These agreements and security measures may be inadequate to deter or prevent misappropriation of our confidential information. In the event of an infringement of our intellectual property rights, a breach of a confidentiality agreement or divulgence of proprietary or confidential information, we may not have adequate legal remedies to protect our intellectual property or other proprietary and confidential information. Litigation to determine the scope of our legal rights, even if ultimately successful, could be costly and could divert management's attention away from other aspects of our business. In addition, our trade secrets may otherwise become known or be independently developed by competitors.

In some instances, we have augmented our technology base by licensing the proprietary intellectual property of third parties. In the future, we may not be able to obtain necessary licenses on commercially reasonable terms, which could adversely affect our business.

We rely on information technology ("IT") and operational technology ("OT") systems and other technologies to conduct our business, and any failure, interruption or security breach of these systems or technologies could adversely impact us.

In order to achieve our business objectives, we rely heavily on IT and OT systems, along with other technologies and related personnel that implement and maintain such systems, including systems that collect, process, organize, store, or use personal information, confidential information, and other sensitive information about our customers, employees, suppliers, and others. Some of these systems are managed or provided by third-party service providers, including certain cloud platform or cloud software providers. The sophistication of cybersecurity threats, including those leveraging artificial intelligence, continues to increase, and the controls and preventative actions we take to reduce the risk of cybersecurity incidents and protect our systems may be insufficient. In addition, new technology that could result in greater operational efficiency, such as our use of artificial intelligence, may further expose our IT or OT systems to the risk of cybersecurity incidents. As a result, our business operations could be negatively impacted by a breach or interruption of systems we rely on that originates from, or compromises, third-party networks or devices outside of our control.

Our operations are also subject to the risk of cyberattacks and security breaches, including by foreign actors, which risk may be exacerbated by the current geo-political climate, including the Russia-Ukraine conflict. In addition, a cyberattack or security breach of some of our systems, including reconnaissance or surveillance by threat actors, could go undetected for extended periods of time notwithstanding our monitoring and detection efforts. The failure or interruption of such systems or technologies, or the potential implementation of replacements, particularly with respect to our and our third-party service providers' existing key financial and human resources legacy systems, could have a material adverse effect on us.

RISK FACTORS

As a result of a breach or failure of our computer systems or networks, or those of our customers, vendors, third-party service providers or others with whom we do business, or a failure of any of those systems to protect against cybersecurity risks, our business operations could be materially interrupted. In addition, any such breach or failure could result in the alteration, loss, theft or corruption of data or unauthorized release of confidential, proprietary or sensitive data concerning our company, business activities, employees, customers or vendors, as well as increased costs to prevent, respond to, or mitigate cybersecurity attacks. These risks could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Moreover, our and our third-party service providers' implementation of new information technology systems or upgrades to existing systems may not result in improvements at the levels anticipated, or at all. The implementation of new IT systems or upgrades to existing systems also subjects us and our third-party service providers to inherent costs and risks, including potential disruptions in our business or in our internal control structure, substantial capital expenditures, the alteration, loss or corruption of data, demands on management time and other risks. Any such disruptions or other effects, if not anticipated and appropriately mitigated, could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

Finally, laws and regulations we may be subject to governing cybersecurity, such as forthcoming obligations under the Cyber Incident Reporting for Critical Infrastructure, pose increasingly complex compliance challenges, and failure to comply with these laws could result in penalties and legal liability.

Our business is subject to complex and evolving U.S. and foreign laws and regulations regarding data privacy and protection.

Personal privacy and data security have become significant regulatory issues and the subject of rapidly evolving laws globally and in the United States. As a result, we may be subject to a growing patchwork of comprehensive privacy regulation imposed by jurisdictions where we operate, including under the European Union's General Data Protection Regulation and the California Consumer Privacy Act. Furthermore, foreign, federal, state and local government bodies or agencies have in the past adopted, and may in the future adopt, more laws and regulations affecting data privacy.

These frameworks apply to activities related to the collection, processing, use, disclosure, and transfer of personal data that may be conducted by us, directly or indirectly, through vendors or subcontractors. Although many of these legal frameworks currently impose similar obligations, interpretations and enforcement of these law continue to evolve. Changes to interpretations or enforcement strategies could create a range of new compliance obligations, which could cause us to incur additional costs. If interpretations or enforcement of these laws deviate significantly in the future, those costs could become even more severe. These laws may significantly impact our business activities and require substantial compliance costs that adversely affect business, operating results, prospects and financial condition.

Our business and operations could become subject to future legislation, regulatory requirements, and evolving enforcement strategies and regulatory or judicial interpretations beyond those currently proposed, adopted or contemplated in the U.S. and abroad. The cumulative effect of all of the legislation and regulations on our business, operations and profitability remains uncertain. This uncertainty necessitates that, in our business planning, we make certain assumptions with respect to the scope and requirements of prospective and proposed rules. If these assumptions prove incorrect, we could be subject to increased regulatory and compliance risks and costs as well as potential reputational harm, either of which could result in negative publicity and significant penalties or other liabilities.

Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to our business may limit the use and adoption of, and reduce the overall demand for, our solutions. Moreover, as noted above, we are also subject to the possibility of security and privacy breaches, some of which may result in a violation of these laws. Finally, if we acquire a company that has violated or is not in compliance with applicable data privacy and protection laws (or contractual provisions), we may experience similar adverse consequences.

Strategic Risks Related to our Business

Our business strategy includes acquisitions and joint ventures with other parties to continue our growth. Acquisitions of other businesses and joint ventures can create certain risks and uncertainties.

We may pursue additional growth through joint ventures, alliances and consortia with other parties as well as the acquisition of businesses or assets that we believe will enable us to strengthen or broaden the types of projects we execute and also expand into new businesses and regions. We may be unable to continue this growth strategy if we cannot identify suitable joint venture, alliance or consortium participants, businesses or assets, reach agreement on acceptable terms or for other reasons. We may also be limited in our ability to pursue acquisitions or joint ventures by the terms and conditions of our current financing arrangements. Moreover, joint ventures, alliances and consortia and acquisitions of businesses and assets involve certain risks, including:

- difficulties relating to the assimilation of personnel, services and systems of an acquired business and the assimilation of marketing and other operational capabilities;
- challenges resulting from unanticipated changes in customer, supplier or subcontractor relationships subsequent to an acquisition or joint venture, alliance or consortium formation;
- additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls;
- assumption of liabilities of an acquired business or a co-venturer, including liabilities that were unknown at the time the acquisition transaction was negotiated and joint and several liability for failures in performance by our co-ventures;
- diversion of management's attention from day-to-day operations;
- failure to realize anticipated benefits, such as cost savings and revenue enhancements;
- potentially substantial transaction costs associated with business combinations; and
- potential impairment of goodwill or other intangible assets resulting from the overpayment for an acquisition.

Acquisitions and joint ventures may be funded by the issuance of additional equity or new debt financing, which may not be available on attractive terms. Moreover, to the extent an acquisition transaction financed by non-equity consideration results in goodwill, it will reduce our tangible net worth, which might have an adverse effect on potential credit and bonding capacity.

Additionally, an acquisition or joint venture, alliance or consortium may bring us into businesses we have not previously conducted and expose us to additional business risks that are different than those we have historically experienced.

General Risks

Our internal controls may not be sufficient to achieve all stated goals and objectives.

Our internal controls and procedures were developed through a process in which our management applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. The design of any system of internal controls and procedures is based, in part, on various assumptions about the likelihood of future events. We cannot assure that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Our results of operations could be affected by natural disasters in locations in which we and our customers and suppliers operate.

Our customers and suppliers have operations in locations that are subject to natural disasters, such as flooding, hurricanes, sustained freezing temperatures, tsunamis, earthquakes, volcanic eruptions or other disasters. The occurrence of any of these events and the impacts of such events could disrupt and adversely affect the operations of our customers and suppliers as well as our operations in the areas in which these types of events occur.

War, other armed conflicts or terrorist attacks could have a material adverse effect on our business.

War, terrorist attacks and unrest have caused and may continue to cause instability in the world's financial and commercial markets, have significantly increased political and economic instability in some of the geographic areas in which we operate, such as Russia and the Middle East, and have contributed to high levels of volatility in prices for oil and gas. Instability and unrest in the Middle East including related to the Hamas-Israel conflict, Africa and Asia, as well as threats of war or other armed conflict elsewhere, such as the Russia-Ukraine conflict, may cause further disruption to financial and commercial markets and contribute to even higher levels of volatility in prices for oil and gas. In addition, unrest in the Middle East, Africa and Asia, or elsewhere, could lead to acts of terrorism in the United States or elsewhere, and acts of terrorism could be directed against companies such as ours. Also, acts of terrorism and threats of armed conflicts in or around various areas in which we operate, such as Russia, the Middle East, Africa and Asia, could limit or disrupt our markets and operations, including disruptions from evacuation of personnel, cancellation of contracts or the loss of personnel or assets. In particular, the ongoing Hamas-Israeli conflict is highly unpredictable and has already led to market disruptions, including supply chain disruptions and increases in costs of transportation, volatile capital markets, higher interest rates and debt capital costs, diminished liquidity and credit availability, declines in consumer confidence and discretionary spending, as well as which have in turn contributed to global inflationary pressures. Additionally, Russia may retaliate against the U.S. in the future in response to the U.S. sanctions that have been imposed due to the Russia-Ukraine conflict. Retaliatory action by the Russian government could involve the seizure of U.S. assets in Russia, and any such actions are likely to impair the value and liquidity of such assets. Armed conflicts and terrorism, and their effects on us or our markets, may significantly affect our business and results of operations in the future.

Risks Related to our Common Stock***There is a lack of a liquid market for and information about our securities.***

Our securities are not listed on a national securities exchange and we have not arranged for our securities to be quoted on any quotation system. As such, a liquid secondary market for the purchase and sale of our securities may not exist. Our security holders may find it difficult to dispose of, or obtain accurate quotations of the price of our securities because smaller quantities of shares could be bought and sold, transactions could be delayed and security analyst and news coverage may be limited. Additionally, as a private company, we are not subject to detailed reporting requirements under any national securities exchange or federal securities law. Our security holders have limited information regarding the risks associated with our operations and securities.

You may experience dilution of your ownership interests because of the future issuance of additional ordinary shares or other securities and/or upon the conversion of the Preference Shares.

In the future, we may issue additional equity securities or securities convertible into or exchangeable for equity securities for capital raising purposes, in connection with hiring or retaining employees, to fund acquisitions, or for other business purposes. In addition, we issued and have outstanding (i) 253,073 Series A Preference Shares and (ii) 75,000 Series B Redeemable Preference Shares that are convertible into Class B Ordinary Shares representing 19.9% of our Ordinary Shares. The future issuance of additional Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares will dilute the ownership interests of our current holders and may create downward pressure on the value of our Ordinary Shares. In addition, the potential for the issuance of a significant amount of our Ordinary Shares pursuant to the Preference Shares could create a circumstance commonly referred to as an "overhang" and in anticipation of which the market price of our Ordinary Shares could fall. The existence of an overhang, whether or not sales have occurred or are occurring, could also hinder our ability to raise additional equity capital at a time and price that we deem reasonable or appropriate.