

QUARTERLY REPORT

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the quarterly period ended June 30, 2025

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 August 12, 2025 was 28,498,229.

McDERMOTT INTERNATIONAL, LTD

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McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(In millions)		(In millions)	
Revenues	\$ 2,506	\$ 1,969	\$ 4,639	\$ 3,997
Costs and expenses:				
Cost of operations	2,370	1,892	4,435	3,848
Selling, general and administrative expenses	41	37	86	71
Intangible assets amortization	14	14	28	28
Research and development expenses	-	2	1	3
Property, plant and equipment impairment	-	9	-	9
Restructuring costs	2	-	4	30
Transaction costs	-	-	1	10
Loss on disposal of other assets and investments, net	-	8	-	6
Total expenses	2,427	1,962	4,555	4,005
Income (loss) from investments in unconsolidated affiliates	11	(6)	20	(4)
Operating income (loss) from continuing operations	90	1	104	(12)
Other (expense) income:				
Interest expense, net	(40)	(48)	(81)	(93)
Other non-operating (expense) income, net	(93)	(3)	(145)	11
Total other expense, net	(133)	(51)	(226)	(82)
Loss from continuing operations before provision for income taxes	(43)	(50)	(122)	(94)
Income tax expense	43	34	71	69
Net loss from continuing operations	(86)	(84)	(193)	(163)
Net loss from discontinued operations, net of tax	-	(15)	-	(25)
Net loss	(86)	(99)	(193)	(188)
Less: Net loss attributable to noncontrolling interests ("NCI")	(3)	-	(3)	-
Net loss attributable to McDermott	(83)	(99)	(190)	(188)
Dividends on Series A Preference Shares	-	(7)	-	(14)
Accretion of Series A Preference Shares	-	(8)	-	(20)
Net loss after Series A Preference Shares dividends and accretion	\$ (83)	\$ (114)	\$ (190)	\$ (222)

See accompanying Notes to these Consolidated Financial Statements.

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

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	<u>(In millions)</u>		<u>(In millions)</u>	
Net loss	\$ (86)	\$ (99)	\$ (193)	\$ (188)
Other comprehensive (loss) income, net of tax:				
Gain (loss) on derivatives	33	(1)	51	(18)
Foreign currency translation	19	(3)	33	(8)
Total comprehensive loss	(34)	(103)	(109)	(214)
Less: Comprehensive loss attributable to NCI	(3)	-	(3)	-
Comprehensive loss	<u>\$ (31)</u>	<u>\$ (103)</u>	<u>\$ (106)</u>	<u>\$ (214)</u>

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED BALANCE SHEETS

	June 30, 2025 (Unaudited) (In millions, except per share amounts)	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents (\$119 and \$99 related to variable interest entities ("VIEs"))	\$ 798	\$ 757
Restricted cash and cash equivalents	119	101
Accounts receivable—trade, net (\$18 and \$16 related to VIEs)	529	583
Accounts receivable—other (\$0 and \$3 related to VIEs)	135	138
Contracts in progress (\$47 and \$36 related to VIEs)	2,342	1,741
Other current assets (\$3 and \$7 related to VIEs)	167	143
Total current assets	4,090	3,463
Property, plant and equipment, net	997	982
Operating lease right-of-use assets	269	229
Accounts receivable—long-term retainages	174	230
Investments in unconsolidated affiliates	168	148
Intangible assets, net	247	275
Other non-current assets	302	267
Total assets	<u>\$ 6,247</u>	<u>\$ 5,594</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Operating lease obligations	\$ 123	\$ 91
Current portion of long-term debt	20	20
Accounts payable (\$1 and \$2 related to VIEs)	1,633	1,212
Advance billings on contracts (\$74 and \$150 related to VIEs)	1,605	1,702
Accrued liabilities (\$146 and \$65 related to VIEs)	1,928	1,580
Total current liabilities	5,309	4,605
Long-term debt	832	825
Long-term operating lease obligations	174	164
Deferred income taxes	70	75
Series B Preference Shares	119	117
Other non-current liabilities	452	423
Total liabilities	6,956	6,209
Stockholders' equity:		
Ordinary shares, par value \$0.125 per share; issued 28.5 and 28.4 shares	4	4
Capital in excess of par value	2,889	2,884
Accumulated deficit	(3,541)	(3,351)
Accumulated other comprehensive (loss) income ("AOCI")	(55)	(139)
Total McDermott stockholders' equity	(703)	(602)
Noncontrolling interest	(6)	(13)
Total stockholders' equity	(709)	(615)
Total liabilities and stockholders' equity	<u>\$ 6,247</u>	<u>\$ 5,594</u>

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2025	2024
	(In millions)	
Cash flows from operating activities:		
Net loss	\$ (193)	\$ (188)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	63	74
Debt issuance cost amortization and debt discount accretion	35	59
Property, plant and equipment impairment	-	9
Loss on disposal of other assets and investments, net	-	6
Series B Preference Shares remeasurement	2	-
Other non-cash items	(18)	18
Changes in operating assets and liabilities:		
Accounts receivable	110	(87)
Contracts in progress, net of advance billings on contracts	(646)	(360)
Accounts payable	421	431
Other current and non-current assets	(71)	20
Other current and non-current liabilities	411	(54)
Total cash provided by/(used in) operating activities	\$ 114	\$ (72)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(46)	(45)
Proceeds from sale of property, plant and equipment	1	2
Proceeds from sale of unconsolidated affiliate	-	23
Total cash used in investing activities	\$ (45)	\$ (20)
Cash flows from financing activities:		
Amazon financing	(10)	(11)
Debt issuance costs	-	(35)
Other	-	(2)
Total cash used in financing activities	\$ (10)	\$ (48)
Net increase/(decrease) in cash, cash equivalents and restricted cash	59	(140)
Cash, cash equivalents and restricted cash at beginning of period	858	818
Cash, cash equivalents and restricted cash at end of period	917	678

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	<u>Common Stock Par Value</u>	<u>Capital in Excess of Par Value</u>	<u>Accumulated Deficit</u>	<u>AOCI (In millions)</u>	<u>Stockholders' Equity</u>	<u>NCI</u>	<u>Total Equity</u>
Balance at December 31, 2023	\$ 1	\$ 2,410	\$ (3,049)	\$ (75)	\$ (713)	\$ (4)	\$ (717)
Net loss	-	-	(89)	-	(89)	-	(89)
Other comprehensive loss, net of tax	-	-	-	(22)	(22)	-	(22)
Stock compensation expense	-	1	-	-	1	-	1
Accretion and dividends on Series A Preference Shares	-	-	(19)	-	(19)	-	(19)
Balance at March 31, 2024	\$ 1	\$ 2,411	\$ (3,157)	\$ (97)	\$ (842)	\$ (4)	\$ (846)
Net loss	-	-	(99)	-	(99)	-	(99)
Other comprehensive loss, net of tax	-	-	-	(4)	(4)	-	(4)
Stock compensation expense	-	1	-	-	1	-	1
Accretion and dividends on Series A Preference Shares	-	-	(15)	-	(15)	-	(15)
Other	-	-	-	-	-	1	1
Balance at June 30, 2024	\$ 1	\$ 2,412	\$ (3,271)	\$ (101)	\$ (959)	\$ (3)	\$ (962)
Balance at December 31, 2024	\$ 4	\$ 2,884	\$ (3,351)	\$ (139)	\$ (602)	\$ (13)	\$ (615)
Net loss	-	-	(107)	-	(107)	-	(107)
Other comprehensive gain, net of tax	-	-	-	32	32	-	32
Stock compensation expense	-	1	-	-	1	-	1
Balance at March 31, 2025	\$ 4	\$ 2,885	\$ (3,458)	\$ (107)	\$ (676)	\$ (13)	\$ (689)
Net loss	-	-	(83)	-	(83)	(3)	(86)
Other comprehensive gain, net of tax	-	-	-	52	52	-	52
Stock compensation expense	-	4	-	-	4	-	4
Non-cash settlement with NCI partner (Note 16)	-	-	-	-	-	11	11
Other	-	-	-	-	-	(1)	(1)
Balance at June 30, 2025	\$ 4	\$ 2,889	\$ (3,541)	\$ (55)	\$ (703)	\$ (6)	\$ (709)

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

As discussed in Note 3, *Discontinued Operations*, on December 4, 2024, we completed the sale of the CB&I storage solutions segment of our business (“CB&I”) to a consortium of financial investors. Operating results of the CB&I reporting segment have been classified as a discontinued operation within the Consolidated Statements of Operations (“Statements of Operations”) for the three and six months ended June 30, 2024, as the sale represented a strategic shift and had a material effect on our operations and financial results. Cash flows of the CB&I segment are not reported separately within the Consolidated Statement of Cash Flows (“Statements of Cash Flows”) for the six months ended June 30, 2024. Unless otherwise noted, the footnotes to the Financial Statements and analysis of results of operations relate to our continuing operations.

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

Recent Developments Affecting Our Business and Industry Conditions

The completion of our CB&I storage solutions segment sale allowed us to reduce our long-term debt in the fourth quarter of 2024, and in conjunction with the redemption and exchange of all outstanding Series A Preference Shares (defined and described in Note 15, *Redeemable Preference Shares*) into Class A Ordinary Shares, simplified our capital structure and is expected to have a positive impact on our financial performance. Following the extension of the maturities of the Exit Credit Agreement and Escrow LC Facility, discussed in Note 9, *Debt*, our customer and vendor relationships have improved significantly; however, we continue to closely monitor performance risks. We remain focused on managing risks around our supply chain to ensure continued progress on our project portfolio and are optimizing the utilization of our letter of credit capacity. We believe that we have or will obtain sufficient letter of credit capacity for future project awards, including the capacity under our uncommitted facilities (described in Note 9, *Debt*). In addition, we are actively pursuing the resolution of our unapproved change order position and liquidated damage exposure with our customers, but should there be a significant delay in collection of these unapproved change orders, or if there is an assessment of significant liquidated damages by our customers, or a requirement to collateralize letters of credit, these could strain our liquidity in the near term. Due to these items, we anticipate that liquidity will remain constrained until the portfolio largely transitions to projects with enhanced margins, and we successfully conclude on the unapproved revenue position. We expect to maintain adequate liquidity, however, these assumptions are subject to uncertainty, and we cannot predict the ultimate impact of such events on our business, financial condition, results of operations, or cash flows.

During 2025, the U.S. announced a variety of trade-related actions, including the imposition of tariffs on imports from several countries. In response, many countries announced their own retaliatory tariffs. Significant uncertainty exists as to what effects these actions will ultimately have on our operations, our suppliers and our customers, as well as on the overall macroeconomic environment. We continually monitor the global trade environment and work to mitigate potential impacts.

In its report issued in July 2025, the Organization of the Petroleum Exporting Countries noted that its world oil demand growth forecast for 2025 and 2026 remains unchanged at 1.3 million barrels per day from its previous report.

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. 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, tariffs, retaliatory tariffs or other changes in foreign trade policy, and labor shortages worldwide are impacting growth prospects generally in the energy industry.

While we believe that demand for hydrocarbon resources for both fuel and other downstream activities will continue increasing through the second half of 2025, we expect to see continued volatility in oil and natural gas prices for the foreseeable future due to near-term production instability, potential sanctions and embargoes, tariffs, retaliatory tariffs or other changes in foreign trade policy, the possibility of recession or financial market instability, and supply chain disruption resulting from, among other things, the Russia-Ukraine and the Hamas-Israel conflicts, which could, over the long term, adversely impact our industry and create uncertainty in our business. 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. As a result, we cannot predict the ultimate impact of these events on commodity prices.

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

NOTE 2—BASIS OF PRESENTATION

Basis of Presentation

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

Use of Estimates and Judgments

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

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

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

Significant Accounting Policies

Revenue Recognition—Our revenue is primarily derived from long-term contracts with customers, and we determine the appropriate accounting treatment for each contract at inception in accordance with ASC Topic 606, *Revenue from Contracts with Customers* (“ASC Topic 606”). Our contracts primarily relate to offshore, subsea, LNG and downstream energy 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. The fee element may also vary. The fee may be an incentive fee based upon achieving certain performance factors, milestones or cost targets. 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 June 30, 2025.
- 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 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 customers, 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. 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. In addition, we and many of our customers and subcontractors operate worldwide and are therefore exposed to risks associated with the economic and political forces of various countries and geographic areas. We generally do not obtain any collateral for our receivables.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loss Contingencies—We record liabilities for loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. We provide disclosure when there is a reasonable possibility that the ultimate loss will exceed by a material amount the recorded provision or if the loss is not reasonably estimable but is expected to be material to our financial results. We are currently involved in litigation and other proceedings, as discussed in Note 16, *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 three months ended June 30, 2025, we recognized a loss before provision for income taxes of \$43 million, compared to a loss of \$50 million for the three months ended June 30, 2024. The provision for income taxes was \$43 million and \$34 million for the three months ended June 30, 2025 and 2024, respectively. The effective tax rate was approximately (100%) for the three months ended June 30, 2025 and (68%) for the three months ended June 30, 2024.

The negative effective tax rate for the second quarter of 2025 was driven by a mix of earnings in the higher tax rate jurisdictions, jurisdictions subject to tax on a deemed profit basis, and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes, and an increase in the valuation allowance related to deferred tax assets. These impacts were partially offset by a favorable change in an uncertain tax position.

The negative effective tax rate for the second quarter of 2024 was also driven by a mix of earnings in the higher tax rate jurisdictions and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes and an increase in the valuation allowance related to deferred tax assets.

For the six months ended June 30, 2025, we recognized a loss before provision for income taxes of \$122 million, compared to a loss of \$94 million for the six months ended June 30, 2024. The provision for income taxes was \$71 million and \$69 million for the six months ended June 30, 2025 and 2024, respectively. The effective tax rate was approximately (58%) for the six months ended June 30, 2025 and (73%) for the six months ended June 30, 2024.

The negative effective tax rate for the first half of 2025 was driven by a mix of earnings in the higher tax rate jurisdictions, jurisdictions subject to tax on a deemed profit basis, and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes, the application of Pillar Two global minimum tax provisions and an increase in the valuation allowance related to deferred tax assets. These were partially offset by a decrease in an uncertain tax position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The negative effective tax rate for the first half of 2024 was also driven by income tax expense in the higher tax rate jurisdictions and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes and an increase in the valuation allowance related to deferred tax assets.

Recent accounting guidance issued not yet adopted as of June 30, 2025

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

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

NOTE 3—DISCONTINUED OPERATIONS

On December 4, 2024, we completed the sale of our CB&I storage solutions segment to a consortium of financial investors for approximately \$450 million and recognized approximately \$364 million gain on the sale in the fourth quarter of 2024. In addition, as part of working capital allocation prior to the sale, approximately \$25 million was transferred from the CB&I segment to the McDermott group.

We considered the operations of the CB&I segment to be a discontinued operation, as the sale represented a strategic shift and had a material effect on our operations and financial results. Operating results of the CB&I segment have been classified as a discontinued operation within the Statements of Operations for the three and six months ended June 30, 2024 and were as follows:

	Three months ended	Six months ended
	June 30, 2024	
	(In millions)	
Revenues	\$ 196	\$ 371
Costs and expenses:		
Cost of operations	179	335
Selling, general and administrative expenses	9	16
Intangible assets amortization	3	6
Research and development expenses	1	2
Total expenses	192	359
Operating income	4	12
Other expense:		
Interest expense, net	(17)	(34)
Other non-operating income, net	1	2
Total other expense, net	(16)	(32)
Loss from discontinued operations before provision for income taxes	(12)	(20)
Income tax expense	3	5
Net loss from discontinued operations	\$ (15)	\$ (25)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Our Cash Flow Statement for the six months ended June 30, 2024 includes the following cash flows associated with our discontinued operations: (1) approximately \$19 million of positive operating cash flows; and (2) approximately \$6 million of negative investing cash flows, primarily associated with capital expenditures.

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

NOTE 4—REVENUE RECOGNITION

Remaining Performance Obligations (“RPOs”)

Our RPOs, by segment, were as follows:

	June 30, 2025		December 31, 2024	
	(Dollars in millions)		(Dollars in millions)	
Low Carbon Solutions	\$ 9,844	53%	\$ 7,061	40%
Offshore Middle East	6,987	37%	8,207	46%
Subsea and Floating Facilities	1,871	10%	2,478	14%
Total	<u>\$ 18,702</u>	<u>100%</u>	<u>\$ 17,746</u>	<u>100%</u>

Our RPOs increased by approximately \$1 billion from December 31, 2024 to June 30, 2025, due to new awards and change orders of approximately \$5.6 billion offset by operating revenues of approximately \$4.6 billion, in each case recognized during the six months ended June 30, 2025.

Of the June 30, 2025 RPOs, we expect to recognize revenues as follows:

	2025	2026	Thereafter
		(In millions)	
Total RPOs	\$ 3,545	\$ 6,570	\$ 8,587

Revenue Disaggregation

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

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(In millions)		(In millions)	
Revenues by contract type:				
Fixed price	\$ 1,245	\$ 1,398	\$ 2,360	\$ 2,820
Hybrid	602	525	1,224	1,097
Cost-reimbursable ⁽¹⁾	655	39	1,050	62
Unit-basis and other	4	7	5	18
	<u>\$ 2,506</u>	<u>\$ 1,969</u>	<u>\$ 4,639</u>	<u>\$ 3,997</u>
Revenues by recognition methodology:				
Over time	\$ 2,504	\$ 1,968	\$ 4,636	\$ 3,994
At a point in time	<u>2</u>	<u>1</u>	<u>3</u>	<u>3</u>
	<u>\$ 2,506</u>	<u>\$ 1,969</u>	<u>\$ 4,639</u>	<u>\$ 3,997</u>

- ⁽¹⁾ The cost-reimbursable revenue increase was primarily associated with the U.S. LNG export facility project in Sabine Pass, Texas, discussed in Note 8, *Joint Venture and Consortium Arrangements*.

Revenue recognition

Unapproved Change Orders—As of June 30, 2025, we had unapproved change orders included in transaction prices for our projects aggregating to approximately \$1,138 million, of which approximately \$167 million was included in our RPO balance. Our unapproved change orders totaled \$239 million for our Low Carbon Solutions segment, \$759 million for our Offshore Middle East segment, and \$140 million for our Subsea and Floating Facilities segment.

The net increase to our unapproved change orders during the six months ended June 30, 2025 totaled \$136 million and included approximately (1) \$35 million in net additions in our Low Carbon Solutions segment, (2) \$50 million in net additions in our Subsea and Floating Facilities segment, and (3) \$51 million in net additions in our Offshore Middle East segment.

As of December 31, 2024, we had unapproved change orders included in transaction prices for our projects aggregating to approximately \$1,002 million, of which approximately \$206 million was included in our RPO balance.

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

Incentives—As of June 30, 2025, we had incentives included in transaction prices for our projects aggregating to approximately \$156 million, primarily within our Offshore Middle East segment, of which approximately \$9 million was included in our RPO balance.

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

Loss projects—Our accrual of provisions for estimated losses as of June 30, 2025 and December 31, 2024 is included in the “Advance billings on contracts” account and was approximately \$76 million and \$78 million, respectively. Loss provision as of June 30, 2025 and December 31, 2024 included (1) \$50 million and \$52 million, respectively, primarily related to loss projects that are approximately 96% complete on a weighted-average basis as of June 30, 2025; and (2) \$26 million provision, as of both dates, recoverable under our insurance and accrued in connection with a completed project.

Other—Revenue recognized during the six months ended June 30, 2025 attributable to Advance billings on contracts balance outstanding as of December 31, 2024, was approximately \$1,002 million. Revenue recognized during the six months ended June 30, 2024 attributable to Advance billings on contracts balance outstanding as of December 31, 2023, was approximately \$755 million.

Some of our contracts contain provisions that require us to pay liquidated damages if we are responsible for the failure to meet specified contractual milestone dates and the customer asserts a claim under those provisions. Those contracts define the conditions under which our customers may make claims against us for liquidated damages. In most cases in which we have historically had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. As of June 30, 2025 and December 31, 2024, we determined that we had approximately \$526 million and \$527 million of potential liquidated damages exposure based on performance under contracts to date, respectively. Based on our performance and commercial and legal analysis, we believe we have appropriately recognized probable liquidated damages of \$3 million as reductions in transaction prices related to such exposure as of both June 30, 2025 and December 31, 2024. Where we have not made a reduction in transaction prices, we believe we will be successful in obtaining schedule extensions or other customer-agreed changes that should resolve the potential for the liquidated damages. However, we may not achieve relief on some or all the issues involved and, as a result, could be subject to liquidated damages in the future. In such events, our financial condition or results of operations could be materially impacted.

NOTE 5—PROJECT CHANGES IN ESTIMATES

Three and six months ended June 30, 2025

Segment operating results for the three and six months ended June 30, 2025 were impacted by net unfavorable changes in estimates on various projects of approximately (1) \$25 million and \$74 million, respectively for each period, in our Offshore Middle East segment; and (2) \$13 million and \$3 million, respectively for each period, in our Subsea and Floating Facilities segment. Segment operating results in our Low Carbon Solutions segment for the three and six months ended June 30, 2025 were impacted by net favorable changes in estimates of approximately \$65 million and \$47 million, respectively for each period, primarily associated with the U.S. LNG export facility project in Sabine Pass, Texas, discussed in Note 8, *Joint Venture and Consortium Arrangements*.

Three and six months ended June 30, 2024

Segment operating results for the three and six months ended June 30, 2024 were impacted by net unfavorable changes in estimates of (1) \$36 million and \$54 million, respectively for each period, in our Low Carbon Solutions segment; and (2) \$44 million and \$66 million, respectively for each period, in our Offshore Middle East segment. These changes were partially offset by net improvements of \$13 million and \$3 million, respectively for each period, in our Subsea and Floating Facilities segment.

NOTE 6—ACCOUNTS RECEIVABLE—TRADE, NET

The trade receivable balances included the following:

	June 30, 2025	December 31, 2024
	(In millions)	
Contract receivables	\$ 457	\$ 497
Retainages ⁽¹⁾	91	105
Less allowances	(19)	(19)
Accounts receivable—trade, net	\$ 529	\$ 583

- ⁽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.

NOTE 7—INTANGIBLE ASSETS

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

	Weighted Average Useful Life (In years)	June 30, 2025			December 31, 2024		
		Gross carrying value	Accumulated amortization (In millions)	Net carrying value	Gross carrying value	Accumulated amortization (In millions)	Net carrying value
Process technologies	8	\$ 150	\$ (93)	\$ 57	\$ 150	\$ (84)	\$ 66
Trade names	10	381	(191)	190	381	(172)	209
		\$ 531	\$ (284)	\$ 247	\$ 531	\$ (256)	\$ 275

Amortization expense of other intangible assets is anticipated to be \$29 million for the remainder of 2025, \$57 million for each of the years ending December 31, 2026 and 2027, and \$47 million and \$38 million for the years ending December 31, 2028 and 2029, respectively.

NOTE 8—JOINT VENTURE AND CONSORTIUM ARRANGEMENTS

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

Proportionately Consolidated Consortiums

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

CCS JV s.c.a.r.l.—We have a joint venture with Saipem and Chiyoda (McDermott–25%/Saipem–74.999%/Chiyoda–0.001%) for the turnkey construction of two LNG liquefaction trains and the relevant supporting structures to be built in the Republic of Mozambique. On April 28, 2021, following an escalating security situation in the Cabo Delgado Province in Mozambique, the customer withdrew all Mozambique personnel from the project site and suspended all progressible activities for the project. In the second quarter of 2024 the customer approved a limited notice to proceed. While this limited notice to proceed continues through the third quarter of 2025, the project has not yet fully restarted. McDermott continues to work with the customer, our partners in CCS JV, and our subcontractors and vendors to evaluate the project schedule and potential impacts of the suspension and related events, including evaluation and agreement of the total costs associated with the suspension, restart and resumption of the project, which continue to be reimbursable. Upon formal restart of the project, which appears imminent, there could be material changes in cost to complete the project. During the six months ended June 30, 2025 and 2024, we recognized approximately \$59 million and \$106 million, respectively, in revenues related to the suspension. As of June 30, 2025, the RPOs associated with the project were approximately \$1.5 billion.

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

	June 30, 2025	December 31, 2024
	(In millions)	
Current assets	\$ 182	\$ 154
Non-current assets	-	1
Total assets	\$ 182	\$ 155
Current liabilities	\$ 167	\$ 155

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 June 30, 2025 and December 31, 2024 our proportionate share of advances from the consortiums to the other consortium participants was not material.

Proportionately Consolidated Collaborative Arrangement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

On November 21, 2024, McDermott and Chiyoda agreed with the customer to an amended and restated EPC Contract ("Amendment No. 4") for McDermott and Chiyoda to complete Zachry's prior work scope related to LNG Train 1.

On June 17, 2025, McDermott and Chiyoda entered into a Binding Term Sheet and Release Agreement with the customer to establish the commercial principles for McDermott and Chiyoda to proceed with completion of Zachry's prior work scope relating to LNG Trains 2 and 3, and for the parties to finalize the proposed Amendment No. 5. The Binding Term Sheet and Release Agreement provide for cost-reimbursable compensation mechanisms and performance-based incentives tied to cost efficiencies and adherence to the execution schedule for the LNG Trains 2 and 3 scope.

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

	June 30, 2025	December 31, 2024
	(In millions)	
Current assets ⁽¹⁾	\$ 577	\$ 438
Non-current assets	63	56
Total assets	\$ 640	\$ 494
Current liabilities	\$ 447	\$ 286
Non-current liabilities	39	39
Total liabilities	\$ 486	\$ 325

⁽¹⁾ Includes approximately \$14 million and \$3 million of cash and cash equivalents as of June 30, 2025 and December 31, 2024, respectively.

Equity Method Joint Ventures

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

- *McDermott/CTCI* (within our Low Carbon Solutions segment)—We have a 50%/50% joint venture with CTCI to perform EPC work for a liquids ethylene cracker and associated units in Sohar, Oman. We have determined the joint venture to be a VIE; however, we are not the primary beneficiary and therefore do not consolidate it. Our joint venture arrangement allows for excess working capital of the joint venture to be advanced to the joint venture participants. Such advances are returned to the joint venture for working capital needs as necessary. As of June 30, 2025 and December 31, 2024, Accrued liabilities on the Balance Sheets included \$65 million related to advances from this joint venture.
- *Specialized Offshore Facilities Services Company Limited* (within our Offshore Middle East segment)—We have a joint venture (McDermott–50%/Zamil Offshore Services Company–50%) to perform construction of harbor and marine facilities and related services for offshore oil and gas projects in the Kingdom of Saudi Arabia. This joint venture was not a VIE as of June 30, 2025.
- *Qatar Fabrication Company* (within our Offshore Middle East segment)—We have a joint venture with Qatar Gas Transport Company, Ltd. (Nakilat) (McDermott–40%/Nakilat–60%) to manage fabrication, construction and assembly of onshore and offshore structures for greenfield and brownfield oil and gas projects. We have determined the joint venture to be a VIE; however, we are not the primary beneficiary and therefore do not consolidate it.

- *McDermott/SBM* (within our Subsea and Floating Facilities 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.
- *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 June 30, 2025.

On June 28, 2024, we sold our common equity ownership in the Lummus Technology Holdings I, LLC joint venture for approximately \$23 million. As a result of the sale, we recognized approximately a \$2 million net gain on the disposal in our Statements of Operations for the three and six months ended June 30, 2024, under “Loss on disposal of other assets and investments, net”.

Consolidated Joint Ventures

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

McDermott/Kentz—We have a consolidated joint venture with Kentz Engineers & Constructors, a unit of SNC-Lavalin Group (“Kentz”) (McDermott–65%/Kentz–35%), established to perform work on the Gorgon LNG project, located on Barrow Island, Australia. The project is complete. The joint venture remains in operation to complete various post-project activities, including the legal matter discussed under “Chevron Arbitration” in Note 16, *Commitments and Contingencies*.

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

	June 30, 2025	December 31, 2024
	(In millions)	
Current assets	\$ 5	\$ 7
Current liabilities	\$ 54	\$ 63

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

NOTE 9—DEBT

The carrying values of our debt obligations were as follows:

	June 30, 2025	December 31, 2024
	(In millions)	
Current debt		
<i>Amazon financing facility</i>		
Financing facility	\$ 22	\$ 22
Facility issuance costs	(2)	(2)
Total current debt	\$ 20	\$ 20
Long-term debt		
<i>LC Term Loans</i>	\$ 22	\$ 20
<i>Exit Facilities</i>		
Term Loan Exit Facility	635	622
Term Loan Exit Facility - renewal costs	(15)	(18)
Make-Whole Exit Facility	44	44
<i>Amazon financing facility</i>		
Financing facility	159	170
Facility issuance costs	(13)	(13)
Total long-term debt	\$ 832	\$ 825

Credit Agreements

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

The Emergence Credit Agreements initially provided for credit facilities consisting of (1) a super senior exit facility comprised of a letter of credit facility in an amount of \$743 million (the “Super Senior LC Exit Facility”); (2) a super senior term loan facility in an initial principal amount of approximately \$44 million (the “Make-Whole Exit Facility”); (3) a senior secured letter of credit exit facility in an amount up to \$1.176 billion for new letters of credit (the “Senior LC Exit Facility”); (4) senior secured letter of credit exit facilities reflecting existing letters of credit issued under the 2018 Roll-Off Facility and the Sidecar Roll-Off Facility; (5) a senior secured term loan facility in an initial principal amount of \$500 million of take-back debt (the “Term Loan Exit Facility”); and (6) a cash secured letter of credit exit facility in an amount up to \$371 million (the “Cash Secured LC Facility” and, together with the Super Senior LC Exit Facility and the Senior LC Exit Facility, the “LC Exit Facilities”); (the credit facilities described in clauses (1) through (6) above, the “Exit Facilities”). Each of the 2018 Roll-Off 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 provides for a letter of credit facility (the “Escrow LC Facility”) which is cash collateralized by the participants for the benefit of the letter of credit issuers under the Escrow LC Facility. As of June 30, 2025, approximately \$282 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. We do not reflect the amount in the escrow account as an asset in our financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

On March 25, 2024, the Amend and Extend Closing Date, we entered into an amendment to the credit agreements and the pledge security agreement (the “A&E Amendment”) with the lenders, issuers and agents to the Exit Credit Agreement and the Escrow LC Credit Agreement, which amended the Exit Credit Agreement, the Escrow LC Credit Agreement and the pledge and security agreement, pursuant to which the maturity dates of the Super Senior LC Exit Facility, Senior LC Exit Facility, Make-Whole Exit Facility, Escrow LC Facility were extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility was extended to December 31, 2027. The principal amount of the Term Loan Exit Facility was increased from \$557 million (the initial principal of \$500 million plus PIK interest of \$57 million) to \$626 million on the Amend and Extend Closing Date to account for the \$69 million consent fees payable to the consenting lenders in the form of take-back term loans. Interest on the Term Loan Exit Facility is based on McDermott’s election to (1) pay in cash an amount of interest expense equal to the adjusted Term SOFR plus a margin of 1.00% per year, and (2) accrue PIK interest in an amount equal to 3.00% per year added to the unpaid principal balance of the Term Loan Exit Facility. Interest on the Make-Whole Exit Facility is based on our advanced election of either (1) the adjusted Term SOFR plus a margin of 3.00% per year or (2) the base rate (the highest of the prime rate, 0.50% per annum plus the Federal Funds Rate or 1% per annum plus the adjusted Term SOFR for an interest period of one month) plus a margin of 2.00%.

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

As of June 30, 2025 and December 31, 2024, the total amount of letters of credit capacity under the Super Senior LC Exit Facility, the Senior LC Exit Facility and the Escrow LC Facility was \$1.65 billion and \$1.8 billion, respectively. The combined capacity under these three facilities will be further reduced by \$150 million on December 31, 2025, by \$100 million on September 30, 2026 and by \$50 million on March 31, 2027.

In connection with the amendment and extension of our financing facilities, in our Balance Sheets as of June 30, 2025 and December 31, 2024, we reflected (1) capitalized issuance costs, within “Other non-current assets”, of approximately \$72 million and \$90 million, respectively, which are amortized into interest expense over the term of the amended and extended facilities; and (2) capitalized renewal issuance costs, within “Long-term debt”, of approximately \$15 million and \$18 million, respectively, which are amortized into interest expense over the amended term of the Term Loan Exit Facility.

On the Amend and Extend Closing Date, we also entered into an escrow agreement with certain Senior LC Exit Facility participants, pursuant to which we deposited \$32.5 million into the escrow account, recognized within “Restricted cash and cash equivalents” on our Balance Sheet as of June 30, 2025. 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.

On March 21, 2025, we entered into an amendment to the credit agreements to reduce our minimum liquidity covenant. We were required to comply with the following financial covenants as of June 30, 2025:

- Liquidity—maintain minimum liquidity at the levels and during the time periods that follow, to be tested monthly: (i) \$125 million at the end of each month from March 2025 through November 2025; (ii) \$150 million at the end of each month from December 2025 through February 2026; (iii) \$200 million beginning at the end of each month from March 2026.
- 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 on or after March 31, 2025. Testing of the Fixed Charge Coverage Ratio covenant has not been triggered as of June 30, 2025.

We were in compliance with the financial covenant requirements as of June 30, 2025.

Amazon Financing Facility

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

On February 19, 2021, we entered into a \$285 million ECA-Backed Term Facilities Agreement with McDermott (Amazon Chartering), Inc. as borrower (the “Amazon Borrower”), MIL as parent guarantor and ABN AMRO Bank N.V. as agent (as amended, modified or otherwise supplemented from time to time, the “Amazon Financing”) with a maturity date of December 31, 2033. The Amazon Financing has an interest rate of adjusted Term SOFR plus 1.70% per annum, with principal payments due quarterly in equal installments of approximately \$5.4 million. Borrowings under the Amazon Financing are irrevocably and unconditionally guaranteed by MIL and are secured by, among others, a pledge of all the equity of the Amazon Borrower, a mortgage on the *Amazon*, and a lien on substantially all the other assets of the Amazon Borrower. The use of proceeds of the Amazon Financing included funding of the upgrade of the *Amazon*, refinancing the Amazon Owner’s current financing, settling a portion of obligations associated with previous McDermott guarantees to the Amazon Owner for two separate interest rate swaps associated with the *Amazon*, and paying insurance premiums to the ECA to provide insurance coverage to the lenders. As of June 30, 2025, approximately \$181 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 June 30, 2025, capacity under the Uncommitted Facilities was approximately \$1.7 billion. The financial institutions that provide the Uncommitted Facilities have no obligation to issue letters of credit or bank guarantees, or to post surety bonds, on our behalf, and they may be able to demand that we provide them with cash or other collateral to backstop these liabilities. As of June 30, 2025, we held approximately \$43 million as cash collateral, under the Uncommitted Facilities, reflected within “Restricted cash and cash equivalents” in our Balance Sheet.

NOTE 10—ACCRUED LIABILITIES

Our accrued liabilities as of June 30, 2025 and December 31, 2024 included the following:

	June 30, 2025	December 31, 2024
	(In millions)	
Accrued contract costs	\$ 1,219	\$ 961
Advances from equity method and proportionally consolidated joint ventures and consortiums ⁽¹⁾	116	116
Income taxes payable	144	112
Other accrued taxes	50	47
Finance lease obligations	7	7
Other accrued liabilities ⁽²⁾	392	337
Accrued liabilities	\$ 1,928	\$ 1,580

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

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

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. Expense associated with these plans was approximately \$7 million and \$5 million for the six months ended June 30, 2025 and 2024, respectively.

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

Defined Benefit Pension and Other Postretirement Plans

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

Components of Net Periodic Benefit Cost

The following table provides a breakdown of the components of net periodic pension income and cost associated with our defined benefit and post-retirement pension plans. The components of periodic benefit (income) cost are primarily recognized within “Other non-operating (expense) income, net” line in our Statements of Operations.

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(In millions)		(In millions)	
Non-U.S. pension plans:				
Interest cost	5	4	\$ 10	\$ 9
Expected return on plan assets	(4)	(5)	(8)	(9)
Net periodic benefit (income) cost	\$ 1	\$ (1)	\$ 2	\$ -

The net periodic pension cost associated with our U.S. pension and postretirement plans was not material during the three and six months ended June 30, 2025 and 2024.

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.

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

	June 30, 2025				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In millions)				
Measured at fair value on recurring basis					
Series B Preference Shares (Note 15)	\$ (119)	\$ (119)	\$ -	\$ -	\$ (119)
Forward contracts ⁽¹⁾	1	1	-	1	-
Not measured at fair value on recurring basis					
Debt ⁽²⁾	(882)	(510)	-	(325)	(185)

	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In millions)				
Measured at fair value on recurring basis					
Series B Preference Shares (Note 15)	\$ (117)	\$ (117)	\$ -	\$ -	\$ (117)
Forward contracts ⁽¹⁾	(5)	(5)	-	(5)	-
Not measured at fair value on recurring basis					
Debt ⁽²⁾	(878)	(465)	-	(259)	(206)

- (1) The fair value of forward contracts is classified as Level 2 within the fair value hierarchy and is valued using observable market parameters for similar instruments traded in active markets. Where quoted prices are not available, the income approach is used to value forward contracts. This approach discounts future cash flows based on current market expectations and credit risk.
- (2) The fair values of the LC Term Loans, Term Loan Exit Facility and Make-Whole Exit Facility were determined using a trading price of these instruments as of each respective date and were classified as Level 2 within the fair value hierarchy. Quoted prices were not available for the *Amazon* financing facility, therefore, the fair values of this instrument were based on the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or on estimated prices based on current yields for debt of similar quality and terms and were classified as Level 3 within the fair value hierarchy.

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

Fair value of non-financial instruments

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

On April 3, 2024, we executed an agreement to sublease additional floors within our corporate headquarters to a third party and executed an amendment to the original lease to transfer the primary lease obligation to the sublessee starting in June 2026. In connection with the sublease commencement, we tested for the recoverability of the operating lease and associated furniture and fixtures and recognized approximately \$9 million impairment associated with the subleased floors and approximately \$7 million of lease termination costs, recorded within "Property, plant and equipment impairment" and "Loss on disposal of other assets and investments, net", respectively, in our Statements of Operations for the three and six months ended June 30, 2024.

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 \$1.3 billion as of June 30, 2025. The fair value of these contracts was in a net asset position totaling approximately \$1 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 June 30, 2025, in connection with these instruments, we deferred approximately \$58 million of net losses in AOCI, and we expect to reclassify approximately \$38 million of deferred losses out of AOCI by June 30, 2026, as the hedged items impact earnings. All our cash flow hedges have a one-month maturity duration, with the contractual ability to extend monthly to match the duration of the underlying hedged contract.

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

	June 30, 2025	December 31, 2024
	(In millions)	
Other current assets	\$ 5	\$ 2
Total derivatives asset	\$ 5	\$ 2
Accrued liabilities	\$ 4	\$ 7
Total derivatives liability	\$ 4	\$ 7

Under the netting arrangements with the same party, approximately \$5 million and \$2 million of derivative assets were offset against the derivative liabilities as of June 30, 2025 and December 31, 2024, respectively.

The fair value of derivatives not designated as cash flow hedges was immaterial as of June 30, 2025 and December 31, 2024. The notional value of these derivatives was \$33 million and \$115 million as of June 30, 2025 and December 31, 2024, 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:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(In millions)		(In millions)	
Amount of gain (loss) recognized in OCI				
Foreign exchange hedges	\$ 33	\$ (8)	\$ 45	\$ (30)
(Loss) recognized on derivatives designated as cash flow hedges				
Foreign exchange hedges	-	-	-	-
Cost of operations	-	(10)	(6)	(12)

NOTE 14—STOCKHOLDERS' EQUITY AND EQUITY-BASED INCENTIVE PLANS

Ordinary Shares

On January 23, 2025, we effected a 125-to-1 share consolidation, pursuant to which every 125 Class A Ordinary Shares were automatically combined into one Class A Ordinary Share and the par value per share was proportionately adjusted to \$0.125 per share ("Share Consolidation"). The Share Consolidation did not have a financial impact on our Share capital and Capital in excess of par balances as of December 31, 2024. As of June 30, 2025, we had 96.8 million shares authorized and 28.5 million shares issued and outstanding.

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Warrants

In connection with the Share Consolidation, we adjusted, on January 23, 2025, the exercise price of the Tranche A Warrants and Tranche B Warrants, issued on June 30, 2020. The adjustments made were solely to effectuate the 125:1 reverse stock split on the exercise price and ordinary shares issuable upon exercise of the Tranche A and Tranche B Warrants. As adjusted, the exercise price for the Tranche A Warrants and the Tranche B Warrants is \$865 and \$1,121.25, respectively, and the total number of ordinary shares issuable upon exercise of the Tranche A Warrants and Tranche B Warrants is 402,468 and 447,186, respectively. Each Warrant entitles the holder to purchase 0.008 fully paid and non-assessable ordinary share at a price equal to the exercise price. The Warrants are exercisable until the expiration date, which is the earlier of June 30, 2027 or the date of voluntary or involuntary dissolution, liquidation, or winding up of the affairs of MIL.

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

Management Incentive Plan

Under management equity incentive plans (the “MIP”) we can award stock-based compensation, in the form of restricted stock, restricted stock units and performance shares or units, to key employees and members of our board of directors. Compensation expense associated with the MIP was approximately \$5 million and \$2 million during the six months ended June 30, 2025 and 2024.

At June 30, 2025, there was \$26 million of total unrecognized compensation cost related to nonvested stock-based compensation awards, expected to be recognized over a weighted-average period of approximately 2.2 years.

Accumulated Other Comprehensive Income (Loss)

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

	Foreign currency translation adjustments	Net unrealized (loss) on derivative financial instruments ⁽¹⁾	Other	Total
	(In millions)			
December 31, 2023	\$ (13)	\$ (59)	\$ (3)	\$ (75)
Other comprehensive (loss) before reclassification	(8)	(30)	-	(38)
Amounts reclassified from AOCI ⁽²⁾	-	12	-	12
Net current period change	(8)	(18)	-	(26)
June 30, 2024	\$ (21)	\$ (77)	\$ (3)	\$ (101)
December 31, 2024	\$ (27)	\$ (109)	\$ (3)	\$ (139)
Other comprehensive income before reclassification	33	45	-	78
Amounts reclassified from AOCI ⁽²⁾	-	6	-	6
Net current period change	33	51	-	84
June 30, 2025	\$ 6	\$ (58)	\$ (3)	\$ (55)

(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 15—REDEEMABLE PREFERENCE SHARES

On March 25, 2024, we 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”). The carrying value of the Series B Preference Shares as of June 30, 2025 and December 31, 2024, was, respectively, \$119 million and \$117 million, recorded in “Series B Preference Shares” within non-current liabilities. The change in the Series B Preference Shares fair value during the six months ended June 30, 2025 was an increase of \$2 million, recorded in “Selling, general and administrative expenses”. To determine the fair value of our Series B Preference Shares we first performed a business enterprise valuation (“BEV”) using a weighted approach between a discounted cash flow analysis and an assessment using the guideline public company method. We determined the fair value of our equity by considering our BEV as well as calculating the fair value of our debt and equity securities. The discounted cash flow analysis was based on our forecasted cash flow information and discounted using our weighted average cost of capital. The fair value of the Series B Preference Shares was determined using a lattice model. The valuation was primarily based on level 3 inputs that are not observable in the market.

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

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

On December 19, 2024, we completed the redemption and exchange of all previously outstanding Series A Preference Shares into Class A Ordinary Shares. Prior to the redemption, during the six months ended June 30, 2024, we recorded \$20 million of accretion and \$14 million of dividends as an adjustment to the carrying value of the Series A Preference Shares and increase to Accumulated Deficit.

NOTE 16—COMMITMENTS AND CONTINGENCIES

Investigations and Litigation

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

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

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

Chevron Arbitration—We are involved in an arbitration proceeding (governed by the arbitration rules of the United Nations Commission on International Trade Law) entitled CBI Constructors Pty & Kentz Pty Ltd (“CKJV”) vs. Chevron Australia Pty Ltd., which was commenced on or about May 17, 2017, with the customer for one of CB&I’s previously-completed consolidated joint venture projects, regarding differing interpretations of the contract related to reimbursable billings. CKJV is owned 65% by McDermott Energy Solutions Pty Ltd (formerly named CBI Constructors Pty Ltd) and 35% by Kentz Pty Ltd. The matter was bifurcated, with hearings on entitlement held in November 2018. In December 2018, the tribunal issued an award on entitlement, finding that CKJV was not overpaid for its craft labor but that certain overpayments may have been made to CKJV for its staff labor. Hearings on the amount of damages related to CKJV’s staff costs began in August 2020. In September 2020, the tribunal issued an interim award favorable to CKJV, after which the respondent in the arbitration (Chevron) applied to an Australian court to set aside the tribunal’s September 2020 interim award. The hearing on that application was held before the Australian court in June 2021. In September of 2021, the Australian court entered a decision in favor of the customer setting aside the interim award. CKJV appealed that court decision, and the appeal hearing occurred on September 8-9, 2022. The decision on appeal was issued on or about January 17, 2023 affirming the lower court decision. CKJV filed an application for appeal to the High Court of Australia. The High Court of Australia heard oral argument on CKJV’s application in November 2023 and granted CKJV leave to appeal. Oral argument on CKJV’s appeal was heard in April 2024 and the matter was taken under advisement. We received notice on August 14, 2024 that a divided court issued a decision which confirmed the ruling of the lower court. In early November of 2024, CKJV and Chevron submitted their pleadings for the quantum hearing, which included Chevron’s claim for interest. CKJV challenged Chevron’s entitlement to interest and also the applicable rate and period for which interest might be awarded. If interest was awarded, the amount could potentially be material. A mediation was held at the end of April 2025. Following that mediation, the parties have agreed to settle the matter for AUD \$99 million (approximately USD \$63.6 million), paid in four equal installments starting May 30 to the end of 2025. A formal consent award was issued in June 2025, concluding the arbitration. Following the first installment payment during the second quarter of 2025, we recorded an adjustment to the “Noncontrolling interest” balance attributable to Kentz Pty Ltd within our Balance Sheet as of June 30, 2025.

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

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

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

MMCL denies any liability to BP on these claims and filed counterclaim amounts in excess of \$150 million, seeking to recover costs associated with unpaid invoices for work already performed, retention monies, unapproved variation order requests, and equipment. We expect that each party will also seek to recover interest, arbitration costs and expenses. The arbitration is scheduled to begin in April 2027. At this time, we do not believe a risk of material loss is probable or estimable related to this matter.

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

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

McDermott denies any liability to the insurers and/or FLNG. Additionally, the EPC contract between FLNG and the joint venture contains a liability cap (which applies absent a finding of gross negligence or willful misconduct) and consequential damages waiver that bars business interruption and other consequential damages. On July 29, 2024, McDermott filed Motions to Dismiss in both suits seeking dismissal of the actions, which were granted by the Court as to both suits in November 2024. The plaintiffs have appealed to the U.S. District Court for the Southern District of Texas, and a briefing schedule has been set. Oral argument is set for August 20, 2025.

At this time, we do not believe a risk of material loss is probable related to this matter and no amounts have been accrued as of June 30, 2025.

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 June 30, 2025. While we continue to pursue recovery for recognized and unrecognized contingent losses through insurance, indemnification arrangements and other sources, we are unable to quantify the amount that we may recover because of the variability in coverage amounts, limitations and deductibles or the viability of carriers, with respect to our insurance policies for the years in question.

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

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

We do not believe a material loss is probable related to these matters and, accordingly, no amounts have been accrued as of June 30, 2025. We believe the claims are without merit and we intend to defend against them vigorously.

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

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

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

External Counsel has also advised that the Higher Customs Committee decision can be relied upon to challenge the ZATCA claims relating to imports during 2021. We do not believe a risk of material loss is probable related to this matter and, accordingly, no amounts have been accrued as of June 30, 2025. We believe the audit reports are incorrect, and we continue to challenge the remaining \$10.5 million assessment vigorously.

Environmental Matters

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

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

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

We believe we are in compliance, in all material respects, with applicable environmental laws and regulations and maintain insurance coverage to mitigate our exposure to environmental liabilities. We do not anticipate we will incur material capital expenditures for environmental matters or for the investigation or remediation of environmental conditions during 2025. As of June 30, 2025, we had no material environmental reserves recorded.

Contracts Containing Liquidated Damages Provisions

Some of our contracts contain provisions that require us to pay liquidated damages if we are responsible for the failure to meet specified contractual milestone dates and the customer asserts a claim under those provisions. Those contracts define the conditions under which our customers may make claims against us for liquidated damages. In most cases in which we have historically had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. As of June 30, 2025 and December 31, 2024, we determined that we had approximately \$526 million and \$527 million of potential liquidated damages exposure based on performance under contracts to date, respectively. Based on our performance and commercial and legal analysis, we believe we have appropriately recognized probable liquidated damages of \$3 million as reductions in transaction prices related to such exposure as of both June 30, 2025 and December 31, 2024. Significant potential liquidated damages exposures included in the \$526 million are: (1) an exposure for \$52 million, where we are pending relief from the customer on a schedule extension; (2) an exposure for \$49 million, discussed under “BP Tortue Arbitration” above; (3) an exposure for \$156 million, where we are working on a revised execution plan to mitigate schedule delays; and (4) an exposure for \$85 million, where we are working with the customer to achieve project milestone dates.

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

NOTE 17—SEGMENT REPORTING

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

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

We also report certain global and corporate activities under the heading “Corporate and Global Operations”, comprised of (1) corporate activities, which include certain centrally managed initiatives (such as reorganization, restructuring, acquisition and divestiture activities), impairments, year-end actuarial pension mark to market gains and losses and other costs not attributable to a particular reporting segment; and (2) global operations costs, relating to engineering and supply chain activities in India, our non-Middle East fabrication yards and global project management and controls. Additionally, our “Corporate and Global Operations” segment recognizes foreign exchange losses related to intercompany balances denominated in a currency different from the functional currency. For the three and six months ended June 30, 2025, foreign exchange losses related to intercompany balances totaled approximately \$91 million and \$141 million, respectively, and were recorded in “Other non-operating (expense) income, net” line within our Statements of Operations.

As discussed in Note 3, *Discontinued Operations*, on December 4, 2024, we completed the sale of the CB&I storage solutions segment of our business. Operating results of the CB&I reporting segment have been classified as a discontinued operation within the Statements of Operations for the three and six months ended June 30, 2024, as the sale represented a strategic shift and had a material effect on our operations and financial results.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue and operating results were as follows:

	Three months ended June 30, 2025					Three months ended June 30, 2024				
	(In millions)					(In millions)				
	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total
Revenues	\$ 1,210	\$ 802	\$ 494	\$ -	\$ 2,506	\$ 633	\$ 831	\$ 505	\$ -	\$ 1,969
Cost of operations	1,112	771	487	-	2,370	636	804	458	(6)	1,892
Selling, general and administrative expenses ⁽¹⁾	6	5	9	21	41	3	4	6	24	37
Intangible assets amortization (Note 7)	3	6	5	-	14	3	6	5	-	14
Research and development expenses	-	-	-	-	-	-	-	1	1	2
Property, plant and equipment impairment	-	-	-	-	-	-	-	-	9	9
Restructuring costs	-	-	-	2	2	-	-	-	-	-
Transaction costs	-	-	-	-	-	-	-	-	-	-
(Gain) loss on disposal of other assets and investments, net	-	-	-	-	-	(1)	-	-	9	8
(Income) loss from investments in unconsolidated affiliates (Note 8)	-	-	(2)	(9)	(11)	11	-	-	(5)	6
Total operating costs	1,121	782	499	14	2,416	652	814	470	32	1,968
Operating income (loss)	\$ 89	\$ 20	\$ (5)	\$ (14)	\$ 90	\$ (19)	\$ 17	\$ 35	\$ (32)	\$ 1

⁽¹⁾ Selling, general and administrative expenses for the three months ended June 30, 2025 and 2024 included approximately \$15 million and \$12 million, respectively, of selling and bidding expenses.

	Six months ended June 30, 2025					Six months ended June 30, 2024				
	(In millions)					(In millions)				
	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total
Revenues	\$ 2,180	\$ 1,504	\$ 955	\$ -	\$ 4,639	\$ 1,332	\$ 1,613	\$ 1,052	\$ -	\$ 3,997
Cost of operations	2,043	1,471	923	(2)	4,435	1,321	1,551	975	1	3,848
Selling, general and administrative expenses ⁽¹⁾	12	13	13	48	86	7	11	11	42	71
Intangible assets amortization (Note 7)	6	12	10	-	28	6	12	10	-	28
Research and development expenses	-	-	1	-	1	-	-	1	2	3
Property, plant and equipment impairment	-	-	-	-	-	-	-	-	9	9
Restructuring costs	-	-	-	4	4	-	-	-	30	30
Transaction costs	-	-	-	1	1	-	-	-	10	10
(Gain) loss on disposal of other assets and investments, net	-	-	-	-	-	(1)	(2)	-	9	6
(Income) loss from investments in unconsolidated affiliates (Note 8)	-	(1)	(6)	(13)	(20)	12	-	1	(9)	4
Total operating costs	2,061	1,495	941	38	4,535	1,345	1,572	998	94	4,009
Operating income (loss)	\$ 119	\$ 9	\$ 14	\$ (38)	\$ 104	\$ (13)	\$ 41	\$ 54	\$ (94)	\$ (12)

⁽¹⁾ Selling, general and administrative expenses for the six months ended June 30, 2025 and 2024 included approximately \$30 million and \$25 million, respectively, of selling and bidding expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Depreciation and amortization expense and capital expenditures were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
	(In millions)		(In millions)	
Depreciation and amortization:				
Low Carbon Solutions	\$ 4	\$ 4	\$ 7	\$ 7
Offshore Middle East	12	11	23	23
Subsea and Floating Facilities	10	13	25	24
Corporate and Global Operations	4	4	8	8
Total depreciation and amortization - continuing operations	\$ 30	\$ 32	\$ 63	\$ 62
Total depreciation and amortization - discontinued operations	-	6	-	12
Total depreciation and amortization	\$ 30	\$ 38	\$ 63	\$ 74
Capital expenditures ⁽¹⁾:				
Low Carbon Solutions	\$ 1	\$ -	\$ 5	\$ -
Offshore Middle East	8	11	16	21
Subsea and Floating Facilities	6	6	12	11
Corporate and Global Operations	7	4	13	7
Total capital expenditures - continuing operations	\$ 22	\$ 21	\$ 46	\$ 39
Total capital expenditures - discontinued operations	-	4	-	6
Total capital expenditures	\$ 22	\$ 25	\$ 46	\$ 45

⁽¹⁾ Capital expenditures represent cash purchases.

Our segment assets were as follows:

	June 30, 2025	December 31, 2024
	(In millions)	
Low Carbon Solutions	\$ 1,854	\$ 1,492
Offshore Middle East	1,924	1,552
Subsea and Floating Facilities	1,647	1,593
Corporate and Global Operations	822	957
Total assets	\$ 6,247	\$ 5,594

NOTE 18—SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 12, 2025, the date these financial statements were available to be issued.

Interest Rate Derivative

On July 10, 2025, we entered into one-year interest rate swap arrangements to mitigate exposure associated with cash flow variability on our Term Loan Exit Facility, with an aggregate notional value of \$443 million. The swap arrangement was designated as a cash flow hedge, as its critical terms match those of the Term Loan Exit Facility.

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

In this quarterly 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, cash flows, liquidity, financial condition and results of operations; 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 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 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;
- the volatility of the market price of the Class A Ordinary Shares;
- 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. 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 business is organized into three business lines, which represent our reportable segments consisting of: (1) Low Carbon Solutions (previously known as Onshore), focused on energy transition, including high voltage direct current platforms, LNG, differentiated project solutions, such as front-end engineering design ("FEED") conversions and modularization; (2) Offshore Middle East, focused on shallow water offshore projects in the Middle East; and (3) Subsea and Floating Facilities, focused on subsea, floating facilities and fixed facilities projects outside of the Middle East.

As discussed in Note 3, *Discontinued Operations*, to the accompanying financial statements, on December 4, 2024, we completed the sale of the CB&I storage solutions segment of our business ("CB&I") to a consortium of financial investors. Operating results of the CB&I reporting segment have been classified as a discontinued operation within the Consolidated Statements of Operations ("Statements of Operations") for the three and six months ended June 30, 2024, as the sale represented a strategic shift and had a material effect on our operations and financial results. Cash flows of the CB&I segment are not reported separately within the Consolidated Statement of Cash Flows ("Statements of Cash Flows") for the six months ended June 30, 2024. Unless otherwise noted, the footnotes to the Financial Statements and analysis of results of operations relate to our continuing operations.

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

Recent Developments Affecting Our Business and Industry Conditions

The completion of our CB&I storage solutions segment sale allowed us to reduce our long-term debt in the fourth quarter of 2024, and in conjunction with the redemption and exchange of all outstanding Series A Preference Shares (defined and described in Note 15, *Redeemable Preference Shares*) into Class A Ordinary Shares, simplified our capital structure and is expected to have a positive impact on our financial performance. Following the extension of the maturities of the Exit Credit Agreement and Escrow LC Facility, discussed in Note 9, *Debt*, our customer and vendor relationships have improved significantly; however, we continue to closely monitor performance risks. We remain focused on managing risks around our supply chain to ensure continued progress on our project portfolio and are optimizing the utilization of our letter of credit capacity. We believe that we have or will obtain sufficient letter of credit capacity for future project awards, including the capacity under our uncommitted facilities (described in Note 9, *Debt*). In addition, we are actively pursuing the resolution of our unapproved change order position and liquidated damage exposure with our customers, but should there be a significant delay in collection of these unapproved change orders, or if there is an assessment of significant liquidated damages by our customers, or a requirement to collateralize letters of credit, these could strain our liquidity in the near term. Due to these items, we anticipate that liquidity will remain constrained until the portfolio largely transitions to projects with enhanced margins, and we successfully conclude on the unapproved revenue position. We expect to maintain adequate liquidity, however, these assumptions are subject to uncertainty, and we cannot predict the ultimate impact of such events on our business, financial condition, results of operations, or cash flows.

During 2025, the U.S. announced a variety of trade-related actions, including the imposition of tariffs on imports from several countries. In response, many countries announced their own retaliatory tariffs. Significant uncertainty exists as to what effects these actions will ultimately have on our operations, our suppliers and our customers, as well as on the overall macroeconomic environment. We continually monitor the global trade environment and work to mitigate potential impacts.

In its report issued in July 2025, the Organization of the Petroleum Exporting Countries noted that its world oil demand growth forecast for 2025 and 2026 remains unchanged at 1.3 million barrels per day from its previous report.

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. 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, tariffs, retaliatory tariffs or other changes in foreign trade policy, and labor shortages worldwide are impacting growth prospects generally in the energy industry.

While we believe that demand for hydrocarbon resources for both fuel and other downstream activities will continue increasing through the second half of 2025, we expect to see continued volatility in oil and natural gas prices for the foreseeable future due to near-term production instability, potential sanctions and embargoes, tariffs, retaliatory tariffs or other changes in foreign trade policy, the possibility of recession or financial market instability, and supply chain disruption resulting from, among other things, the Russia-Ukraine and the Hamas-Israel conflicts, which could, over the long term, adversely impact our industry and create uncertainty in our business. 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. As a result, we cannot predict the ultimate impact of these events on commodity prices.

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

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.

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:

	June 30, 2025		December 31, 2024	
	(Dollars in millions)		(Dollars in millions)	
Low Carbon Solutions	\$ 9,844	53%	\$ 7,061	40%
Offshore Middle East	6,987	37%	8,207	46%
Subsea and Floating Facilities	1,871	10%	2,478	14%
Total	\$ 18,702	100%	\$ 17,746	100%

Our RPOs increased by approximately \$1 billion from December 31, 2024 to June 30, 2025, due to new awards and change orders of approximately \$5.6 billion offset by operating revenues of approximately \$4.6 billion, in each case recognized during the six months ended June 30, 2025.

Our RPOs as of June 30, 2025 include approximately \$168 million associated with unapproved change orders.

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

As disclosed in Note 8, *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. In the second quarter of 2024 the customer approved a limited notice to proceed. While this limited notice to proceed continues through the third quarter of 2025, the project has not yet fully restarted. McDermott continues to work with the customer, our partners in CCS JV, and our subcontractors and vendors to evaluate the project schedule and potential impacts of the suspension and related events, including evaluation and agreement of the total costs associated with the suspension, restart and resumption of the project, which continue to be reimbursable. Upon formal restart of the project, which appears imminent, there could be material changes in cost to complete the project. During the six months ended June 30, 2025 and 2024, we recognized approximately \$59 million and \$106 million, respectively, in revenues related to the suspension. As of June 30, 2025, the RPOs associated with the project were approximately \$1.5 billion.

Of the June 30, 2025 RPOs, we expect to recognize revenues as follows:

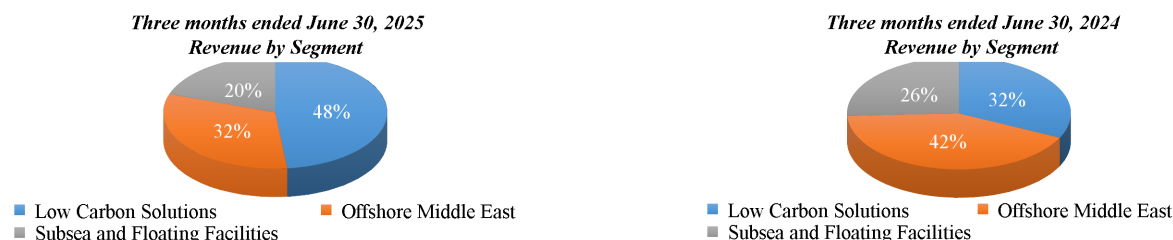
	2025	2026	Thereafter
		(In millions)	
Total RPOs	\$ 3,545	\$ 6,570	\$ 8,587

Loss projects

Our accrual of provisions for estimated losses as of June 30, 2025 and December 31, 2024 is included in the "Advance billings on contracts" account and was approximately \$76 million and \$78 million, respectively. Loss provision as of June 30, 2025 and December 31, 2024 included (1) \$50 million and \$52 million, respectively, primarily related to loss projects that are approximately 96% complete on a weighted-average basis as of June 30, 2025; and (2) \$26 million provision, as of both dates, recoverable under our insurance and accrued in connection with a completed project.

Three months ended June 30, 2025 vs three months ended June 30, 2024

Revenue



	Three months ended June 30,		Change	
	2025	2024	(In millions)	Percentage
Revenues:				
Low Carbon Solutions	\$ 1,210	\$ 633	\$ 577	91%
Offshore Middle East	802	831	(29)	(3%)
Subsea and Floating Facilities	494	505	(11)	(2%)
Total revenues	\$ 2,506	\$ 1,969	\$ 537	27%

Consolidated segment operating revenues increased by 27%, or approximately \$537 million, during the second quarter of 2025 compared to the second quarter of 2024.

Low Carbon Solutions—Revenues increased by 91%, or \$577 million. The increase was attributable to various projects, including progress and impact of the agreement to proceed with work scope relating to LNG Trains 2 and 3 on the U.S. LNG export facility project in Sabine Pass, Texas, discussed in Note 8, *Joint Venture and Consortium Arrangements*, to the accompanying financial statements, an LNG export facility project in Canada and a renewable energy HVDC project in the North Sea, offshore Germany.

Offshore Middle East—Revenues decreased by 3%, or \$29 million. Revenues in both periods were associated with progress on several Saudi Aramco projects, progress on an EPCI project in Qatar for topsides, pipelines, and subsea cables, and various other projects. Revenues during the three months ended June 30, 2025 also included progress on an EPCI and commissioning project of satellite wellhead platforms and jackets, offshore Qatar, an EPCI project for oilfield development, offshore Abu Dhabi, and other projects.

Subsea and Floating Facilities—Revenues decreased by 2%, or \$11 million. The decrease was primarily attributable to the substantial completion of the EPCI and pre-commissioning and transportation and installation projects for a subsea gas development project, located off the east coast of India, completion of an EPCI and commissioning project in the Gulf of Mexico and other projects, partially offset by progress on EPCI, hook-up, and commissioning projects for gas fields development off the southeast coast of Trinidad and Tobago and the southwest coast of Vietnam, and various other projects.

Segment Operating Results

	Three months ended June 30,			
	2025	2024	Change	
	(In millions)		(In millions)	Percentage
Segment operating income (loss):				
Low Carbon Solutions	\$ 89	\$ (19)	\$ 108	568%
Offshore Middle East	20	17	3	18%
Subsea and Floating Facilities	(5)	35	(40)	(114%)
Total segment operating income	\$ 104	\$ 33	\$ 71	215%
Corporate and Global Operations	(14)	(32)	18	56%
Total operating income	\$ 90	\$ 1	\$ 89	8900%

Consolidated segment operating income during the three months ended June 30, 2025 and 2024 was \$104 million and \$33 million, respectively.

Low Carbon Solutions—Segment operating income during the three months ended June 30, 2025 was primarily attributable to the favorable changes in estimates on the U.S. LNG export facility project in Sabine Pass, Texas, resulting from the agreement to proceed with LNG Trains 2 and 3 work scope. Segment operating loss during the three months ended June 30, 2024 was \$19 million and included the impact of net unfavorable changes in estimates of approximately \$36 million, primarily resulting from cost increases on an onshore oil field development project in the Republic of Uganda.

Offshore Middle East—Segment operating income during the three months ended June 30, 2025 and 2024 was associated with progress on a variety of projects and activities, partially offset by the impact of net unfavorable changes in estimates of approximately \$25 million and \$44 million, respectively.

Subsea and Floating Facilities—Segment operating results during the three months ended June 30, 2025 were associated with progress on various ongoing projects, offset by the impact of the net unfavorable changes in estimates of approximately \$13 million, selling and bidding expenses and other operating expenses. Segment operating income during the three months ended June 30, 2024 and was associated with progress on the transportation and installation contract for the subsea gas development project, located off the east coast of India, and favorable changes in estimates of approximately \$13 million and progress on other ongoing projects.

Corporate and Global Operations—Operating results in our Corporate and Global Operations improved during the three months ended June 30, 2025 compared to the three months ended June 30, 2024 due to impairment losses and losses from the disposal of other assets recognized during 2024.

Other Non-operating Items*Interest expense, net*

Interest expense, net during the three months ended June 30, 2025 and 2024 was \$40 million and \$48 million, respectively, and included fees associated with letter of credit arrangements, interest expense (including PIK interest), and accretion cost associated with our financing facilities described below, and other items. Interest expense during the three months ended June 30, 2024 also included amortization of the asset recognized in connection with the non-cash issuance of the Redeemable Preference Shares, redeemed in the fourth quarter of 2024.

Other non-operating income/expense, net

Other non-operating expense, net was \$93 million during the three months ended June 30, 2025 and primarily related to a foreign exchange remeasurement loss associated with the Euro-denominated intercompany balances. Other non-operating expense, net was not material during the three months ended June 30, 2024.

Income tax expense

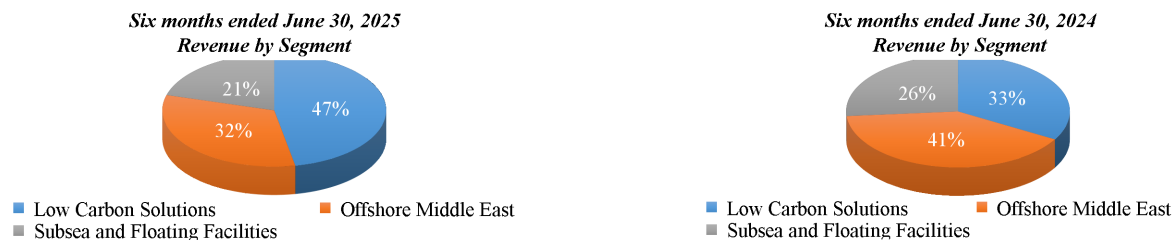
For the three months ended June 30, 2025, we recognized a loss before provision for income taxes of \$43 million, compared to a loss of \$50 million for the three months ended June 30, 2024. The provision for income taxes was \$43 million and \$34 million for the three months ended June 30, 2025 and 2024, respectively. The effective tax rate was approximately (100%) for the three months ended June 30, 2025 and (68%) for the three months ended June 30, 2024.

The negative effective tax rate for the second quarter of 2025 was driven by a mix of earnings in the higher tax rate jurisdictions, jurisdictions subject to tax on a deemed profit basis, and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes, and an increase in the valuation allowance related to deferred tax assets. These impacts were partially offset by a favorable change in an uncertain tax position.

The negative effective tax rate for the second quarter of 2024 was also driven by a mix of earnings in the higher tax rate jurisdictions and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes and an increase in the valuation allowance related to deferred tax assets.

Six months ended June 30, 2025 vs six months ended June 30, 2024

Revenue



	Six months ended June 30,		Change	
	2025	2024	(In millions)	Percentage
Revenues	(In millions)		(In millions)	
Low Carbon Solutions	\$ 2,180	\$ 1,332	\$ 848	64%
Offshore Middle East	1,504	1,613	(109)	(7%)
Subsea and Floating Facilities	955	1,052	(97)	(9%)
Total revenues	\$ 4,639	\$ 3,997	\$ 642	16%

Consolidated segment operating revenues increased by 16%, or approximately \$642 million, in the six months ended June 30, 2025 compared to the six months ended June 30, 2024.

Low Carbon Solutions—Revenues increased by 64%, or \$848 million. The increase was attributable to various projects, including progress and impact of the agreement to proceed with work scope relating to LNG Trains 2 and 3 on the U.S. LNG export facility project in Sabine Pass, Texas, discussed in Note 8, *Joint Venture and Consortium Arrangements*, to the accompanying financial statements, an LNG export facility project in Canada and a renewable energy HVDC project in the North Sea, offshore Germany.

Offshore Middle East—Revenues decreased by 7%, or \$109 million. Revenues in both periods were associated with progress on several Saudi Aramco projects, progress on an EPCI project in Qatar for topsides, pipelines, and subsea cables, and various other projects. Revenues during the six months ended June 30, 2025, also included progress on an EPCI and commissioning project of satellite wellhead platforms and jackets, offshore Qatar, an EPCI project for oilfield development, offshore Abu Dhabi, and other projects.

Subsea and Floating Facilities—Revenues decreased by 9%, or \$97 million. The decrease was primarily attributable to the substantial completion of the EPCI and pre-commissioning and transportation and installation projects for the subsea gas development project, located off the east coast of India, the completion of an EPCI and commissioning project in the Gulf of Mexico, and other projects. The decrease was partially offset by progress on the EPCI, hook-up, and commissioning projects for gas fields development off the southeast coast of Trinidad and Tobago and the southwest coast of Vietnam, and various other projects.

Segment Operating Results

	Six months ended June 30,			
	2025	2024	Change	
	(In millions)		(In millions)	Percentage
Operating income (loss)				
Low Carbon Solutions	\$ 119	\$ (13)	\$ 132	1015%
Offshore Middle East	9	41	(32)	(78%)
Subsea and Floating Facilities	14	54	(40)	(74%)
Total segment operating income	\$ 142	\$ 82	\$ 60	73%
Corporate and Global Operations	(38)	(94)	56	60%
Total operating income (loss)	\$ 104	\$ (12)	\$ 116	967%

Consolidated segment operating income during the six months ended June 30, 2025 and 2024 was \$142 million and \$82 million, respectively. Consolidated segment operating results in both periods were impacted by net unfavorable changes in estimates totaling approximately \$30 million and \$117 million, respectively.

Low Carbon Solutions—Segment operating income during the six months ended June 30, 2025, was primarily attributable to the favorable changes in estimates on the U.S. LNG export facility project in Sabine Pass, Texas, resulting from the agreement to proceed with the LNG Trains 2 and 3 work scope. Segment operating loss during the six months ended June 30, 2024, was \$13 million and included the impact of net unfavorable changes in estimates of approximately \$54 million, primarily resulting from cost increases on an onshore oil field development project in the Republic of Uganda.

Offshore Middle East—Segment operating income during the six months ended June 30, 2025 and 2024 was associated with progress on a variety of projects and activities, partially offset by the impact of net unfavorable changes in estimates of approximately \$74 million and \$66 million, respectively.

Subsea and Floating Facilities—Segment operating income was \$14 million during the six months ended June 30, 2025, and was associated with progress on a variety of projects and activities, including progress on the EPCI, hook-up, and commissioning projects for gas fields development off the southeast coast of Trinidad and Tobago and other ongoing projects. Segment operating income was \$54 million during the six months ended June 30, 2024, and was associated with progress on the transportation and installation contract, awarded at the end of 2023, for the subsea gas development project, located off the east coast of India, and progress on other ongoing projects.

Corporate and Global Operations—Operating results in our Corporate and Global Operations improved during the six months ended June 30, 2025 compared to the six months ended June 30, 2024, due to the decrease in our restructuring and transaction costs associated with the amendment of our credit agreements completed in early 2024, as well as the impairment losses and losses from the disposal of other assets recognized during 2024.

Other Non-operating Items*Interest expense, net*

Interest expense, net during the six months ended June 30, 2025 and 2024 was \$81 million and \$93 million, respectively, and included fees associated with letter of credit arrangements, interest expense (including PIK interest), and accretion cost associated with our financing facilities described below, and other items. Interest expense during the six months ended June 30, 2024 also included amortization of the asset recognized in connection with the non-cash issuance of the Redeemable Preference Shares, redeemed in the fourth quarter of 2024.

Other non-operating income/expense, net

Other non-operating expense, net was \$145 million during the six months ended June 30, 2025 and primarily related to a foreign exchange remeasurement loss associated with the Euro-denominated intercompany balances.

Other non-operating income, net was \$11 million during the six months ended June 30, 2024 and primarily related to a foreign exchange remeasurement gain associated with intercompany balances.

Income tax expense

For the six months ended June 30, 2025, we recognized a loss before provision for income taxes of \$122 million, compared to a loss of \$94 million for the six months ended June 30, 2024. The provision for income taxes was \$71 million and \$69 million for the six months ended June 30, 2025 and 2024, respectively. The effective tax rate was approximately (58%) for the six months ended June 30, 2025 and (73%) for the six months ended June 30, 2024.

The negative effective tax rate for the first half of 2025 was driven by a mix of earnings in the higher tax rate jurisdictions, jurisdictions subject to tax on a deemed profit basis, and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes, the application of Pillar Two global minimum tax provisions and an increase in the valuation allowance related to deferred tax assets. These were partially offset by a decrease in an uncertain tax position.

The negative effective tax rate for the first half of 2024 was also driven by income tax expense in the higher tax rate jurisdictions and no tax benefit was recognized in the loss jurisdictions. The effective tax rate was also negatively impacted by withholding taxes and an increase in the valuation allowance related to deferred tax assets.

Liquidity and Capital Resources

Cash, Cash Equivalents and Restricted Cash

As of June 30, 2025, we had approximately \$917 million of cash, cash equivalents and restricted cash, as compared to approximately \$858 million as of December 31, 2024. Restricted cash of \$119 million as of June 30, 2025 was primarily associated with \$43 million of cash collateral for letters of credit under the Senior LC Exit Facility, \$32.5 million placed into an escrow account under the agreement with certain Senior LC Exit Facility participants, and \$43 million of cash collateral under the uncommitted bilateral credit facilities, discussed under “Financing Arrangements” below. Approximately \$119 million and \$14 million of our cash and cash equivalents as of June 30, 2025 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 June 30, 2025, we had approximately \$503 million of cash in jurisdictions outside the United States, principally in Italy, Netherlands, United Arab Emirates, Bermuda, Canada, and the United Kingdom. As of June 30, 2025, 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 provided by operating activities was \$114 million during the six months ended June 30, 2025 and cash used by operating activities was \$72 million during the six months ended June 30, 2024.

Cash provided by and used in operating activities reflected our operating results for each respective period, adjusted for non-cash items, 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 \$45 million during the six months ended June 30, 2025, and was primarily associated with capital expenditures. Net cash used by investing activities was \$20 million during the six months ended June 30, 2024, and primarily associated with \$45 million capital expenditures partially offset by \$23 million proceeds from sale of our equity ownership in Lummus Technology Holdings I LLC, as discussed in Note 8, *Joint Ventures and Consortium Arrangements*, to the accompanying financial statements.

Financing activities—Net cash used by the financing activities during the six months ended June 30, 2025 was \$10 million and primarily related to the principal repayments under the Amazon Financing Facility, discussed under “Financing Arrangements” below. Net cash used by financing activities during the six months ended June 30, 2024 was \$48 million, and primarily related to payment of \$35 million in debt issuance costs and \$11 million of principal repayments under the Amazon Financing Facility.

Financing Arrangements

Credit Agreements

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

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

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 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 provides for a letter of credit facility (the “Escrow LC Facility”) which is cash collateralized by the participants for the benefit of the letter of credit issuers under the Escrow LC Facility. As of June 30, 2025, approximately \$282 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. We do not reflect the amount in the escrow account as an asset in our financial statements.

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

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

On March 25, 2024, the Amend and Extend Closing Date, we entered into an amendment to the credit agreements and the pledge security agreement (the “A&E Amendment”) with the lenders, issuers and agents to the Exit Credit Agreement and the Escrow LC Credit Agreement, which amended the Exit Credit Agreement, the Escrow LC Credit Agreement and the pledge and security agreement, pursuant to which the maturity dates of the Super Senior LC Exit Facility, Senior LC Exit Facility, Make-Whole Exit Facility, Escrow LC Facility were extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility was extended to December 31, 2027. The principal amount of the Term Loan Exit Facility was increased from \$557 million (the initial principal of \$500 million plus PIK interest of \$57 million) to \$626 million on the Amend and Extend Closing Date to account for the \$69 million consent fees payable to the consenting lenders in the form of take-back term loans. Interest on the Term Loan Exit Facility is based on McDermott’s election to (1) pay in cash an amount of interest expense equal to the adjusted Term SOFR plus a margin of 1.00% per year, and (2) accrue PIK interest in an amount equal to 3.00% per year added to the unpaid principal balance of the Term Loan Exit Facility. Interest on the Make-Whole Exit Facility is based on our advanced election of either (1) the adjusted Term SOFR plus a margin of 3.00% per year or (2) the base rate (the highest of the prime rate, 0.50% per annum plus the Federal Funds Rate or 1% per annum plus the adjusted Term SOFR for an interest period of one month) plus a margin of 2.00%.

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

As of June 30, 2025 and December 31, 2024, the total amount of letters of credit capacity under the Super Senior LC Exit Facility, the Senior LC Exit Facility and the Escrow LC Facility was \$1.65 billion and \$1.8 billion, respectively. The combined capacity under these three facilities will be further reduced by \$150 million on December 31, 2025, by \$100 million on September 30, 2026 and by \$50 million on March 31, 2027.

In connection with the amendment and extension of our financing facilities, in our Balance Sheets as of June 30, 2025 and December 31, 2024, we reflected (1) capitalized issuance costs, within "Other non-current assets", of approximately \$72 million and \$90 million, respectively, which are amortized into interest expense over the term of the amended and extended facilities; and (2) capitalized renewal issuance costs, within "Long-term debt", of approximately \$15 million and \$18 million, respectively, which are amortized into interest expense over the amended term of the Term Loan Exit Facility.

On the Amend and Extend Closing Date, we also entered into an escrow agreement with certain Senior LC Exit Facility participants, pursuant to which we deposited \$32.5 million into the escrow account, recognized within "Restricted cash and cash equivalents" on our Balance Sheet as of June 30, 2025. 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.

On March 21, 2025, we entered into an amendment to the credit agreements to reduce our minimum liquidity covenant. We were required to comply with the following financial covenants as of June 30, 2025:

- Liquidity—maintain minimum liquidity at the levels and during the time periods that follow, to be tested monthly: (i) \$125 million at the end of each month from March 2025 through November 2025; (ii) \$150 million at the end of each month from December 2025 through February 2026; (iii) \$200 million beginning at the end of each month from March 2026.
- 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 on or after March 31, 2025. Testing of the Fixed Charge Coverage Ratio covenant has not been triggered as of June 30, 2025.

We were in compliance with the financial covenant requirements as of June 30, 2025.

Amazon Financing Facility

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

On February 19, 2021, we entered into a \$285 million ECA-Backed Term Facilities Agreement with McDermott (Amazon Chartering), Inc. as borrower (the "Amazon Borrower"), MIL as parent guarantor and ABN AMRO Bank N.V. as agent (as amended, modified or otherwise supplemented from time to time, the "Amazon Financing") with a maturity date of December 31, 2033. The Amazon Financing has an interest rate of adjusted Term SOFR plus 1.70% per annum, with principal payments due quarterly in equal installments of approximately \$5.4 million. Borrowings under the Amazon Financing are irrevocably and unconditionally guaranteed by MIL and are secured by, among others, a pledge of all the equity of the Amazon Borrower, a mortgage on the *Amazon*, and a lien on substantially all the other assets of the Amazon Borrower. The use of proceeds of the Amazon Financing included funding of the upgrade of the *Amazon*, refinancing the Amazon Owner's current financing, settling a portion of obligations associated with previous McDermott guarantees to the Amazon Owner for two separate interest rate swaps associated with the *Amazon*, and paying insurance premiums to the ECA to provide insurance coverage to the lenders. As of June 30, 2025, approximately \$181 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 June 30, 2025, capacity under the Uncommitted Facilities was approximately \$1.7 billion. The financial institutions that provide the Uncommitted Facilities have no obligation to issue letters of credit or bank guarantees, or to post surety bonds, on our behalf, and they may be able to demand that we provide them with cash or other collateral to backstop these liabilities. As of June 30, 2025, we held approximately \$43 million as cash collateral, under the Uncommitted Facilities, reflected within “Restricted cash and cash equivalents” in our Balance Sheet.

RISK FACTORS

For detailed information regarding risks that could materially and adversely affect our business, financial condition, results of operations or cash flows, we refer you to the information under the caption “Risk Factors” in our Annual Report for the annual period ended December 31, 2024, a copy of which is available upon written request made to our Corporate Secretary at:

McDermott International, Ltd
Attention: Corporate Secretary
915 N. Eldridge Parkway
Houston, Texas 77079