

ANNUAL REPORT

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the annual period ended December 31, 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 March 27, 2026 was 28,492,110.

McDERMOTT INTERNATIONAL, LTD

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of McDermott International, Ltd

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of McDermott International, Ltd (the Company) as of December 31, 2025 and 2024, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years then ended and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

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

Critical Audit Matter

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

Revenue recognition under long-term contracts

Description of the Matter

As described in Note 2 to the consolidated financial statements, the Company generally recognizes revenue for fixed price contracts over time using an input method described as the cost-to-cost approach to determine the extent of progress towards completion of performance obligations. Under the cost-to-cost approach, the determination of the progress towards completion requires management to prepare estimates of the costs to complete. These estimates are subject to considerable judgment and could be impacted by such assumptions as changes to the project schedule; the cost of labor, material and subcontractors; and productivity. In addition, management must also estimate the total contract revenue the Company expects to receive for certain of the Company's fixed-price contracts that include variable consideration, such as increases to transaction prices for unapproved change orders, claims, and incentives, and reductions to transaction price for liquidated damages or penalties.

Auditing management's estimates of the progress towards completion of its projects was complex and subjective because of the considerable judgment required to evaluate management's determination of the forecasted costs to complete its fixed price contracts as future results depend on many uncertain variables. In addition, auditing the Company's measurement of variable consideration was also complex and highly judgmental as increases to transaction prices for unapproved change orders, claims, and incentives, and reductions to transaction price for liquidated damages or penalties can have a material effect on the amount of revenue recognized and the Company's liquidity, and may require significant estimation by management regarding various possible outcomes.

*How We Addressed the
Matter in Our Audit*

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

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

Ernst & Young LLP

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

Houston, Texas

April 7, 2026

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,	
	2025	2024
	(In millions)	
Revenues	\$ 9,955	\$ 8,212
Costs and expenses:		
Cost of revenue	9,516	8,060
Selling, general and administrative expenses	180	195
Intangible assets amortization	57	57
Research and development expenses	2	6
Property, plant and equipment impairment	-	9
Restructuring costs	8	33
Transaction costs	1	11
(Gain) loss on disposal of other assets and investments, net	(1)	5
Total expenses	9,763	8,376
Income from investments in unconsolidated affiliates	35	12
Operating income (loss) from continuing operations	227	(152)
Other (expense) income:		
Interest expense, net	(158)	(222)
Other non-operating (expense) income, net	(153)	69
Total other expense, net	(311)	(153)
Income (loss) from continuing operations before provision for income taxes	(84)	(305)
Income tax expense	87	97
Net loss from continuing operations	(171)	(402)
Net income from discontinued operations, net of tax	-	276
Net loss	(171)	(126)
Less: Net loss attributable to noncontrolling interests ("NCI")	(3)	(11)
Net loss attributable to McDermott	(168)	(115)
Dividends on Series A Preference Shares	-	(25)
Accretion of Series A Preference Shares	-	(37)
Accretion of Series A Preference Shares upon redemption and exchange	-	(125)
Net loss after Series A Preference Shares dividends and accretion	\$ (168)	\$ (302)

See accompanying Notes to these Consolidated Financial Statements.

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

	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>(In millions)</u>	
Net loss	\$ (171)	\$ (126)
Other comprehensive (loss) income, net of tax:		
Gain (loss) on derivatives	63	(50)
Foreign currency translation	37	(14)
Total comprehensive loss	(71)	(190)
Less: Comprehensive loss attributable to NCI	(3)	(11)
Comprehensive loss	<u>\$ (68)</u>	<u>\$ (179)</u>

See accompanying Notes to these Consolidated Financial Statements.

**McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<u>(In millions, except per share amounts)</u>	
Assets		
Current assets:		
Cash and cash equivalents (\$140 and \$99 related to variable interest entities ("VIEs"))	\$ 962	\$ 757
Restricted cash and cash equivalents	119	101
Accounts receivable—trade, net (\$20 and \$16 related to VIEs)	1,142	583
Accounts receivable—other (\$0 and \$3 related to VIEs)	162	138
Contracts in progress (\$62 and \$36 related to VIEs)	2,127	1,645
Other current assets (\$88 and \$87 related to VIEs)	413	345
Total current assets	4,925	3,569
Property, plant and equipment, net	1,023	982
Operating lease right-of-use assets	294	229
Accounts receivable—long-term retainages	79	230
Investments in unconsolidated affiliates	184	148
Intangible assets, net	218	275
Other non-current assets	316	267
Total assets	<u>\$ 7,039</u>	<u>\$ 5,700</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Operating lease obligations	\$ 152	\$ 91
Current portion of long-term debt	20	20
Accounts payable (\$54 and \$21 related to VIEs)	1,924	1,271
Advance billings on contracts (\$143 and \$230 related to VIEs)	1,995	1,808
Accrued liabilities (\$100 and \$46 related to VIEs)	1,978	1,521
Total current liabilities	6,069	4,711
Long-term debt	839	825
Long-term operating lease obligations	157	164
Deferred income taxes	65	75
Series B Preference Shares	117	117
Other non-current liabilities	450	423
Total liabilities	<u>7,697</u>	<u>6,315</u>
Commitments and contingencies (Note 18)		
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	2,895	2,884
Accumulated deficit	(3,519)	(3,351)
Accumulated other comprehensive (loss) income ("AOCI")	(39)	(139)
Total McDermott stockholders' equity	(659)	(602)
Noncontrolling interest	1	(13)
Total stockholders' equity	<u>(658)</u>	<u>(615)</u>
Total liabilities and stockholders' equity	<u>\$ 7,039</u>	<u>\$ 5,700</u>

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2025	2024
	(In millions)	
Cash flows from operating activities:		
Net loss	\$ (171)	\$ (126)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	134	149
Debt issuance cost amortization and debt discount accretion	72	179
Property, plant and equipment impairment	-	9
(Gain) loss on disposal of other assets and investments, net	(1)	(2)
Gain on sale of the CB&I business	-	(364)
Series A Preference Shares deferred cost write-off	-	38
Series B Preference Shares remeasurement	-	51
Pension actuarial mark to market (gain) loss, net	3	(20)
Other non-cash items	(46)	6
Changes in operating assets and liabilities:		
Accounts receivable	(408)	(98)
Contracts in progress, net of advance billings on contracts	(217)	139
Accounts payable	653	446
Other current and non-current assets	(178)	(64)
Other current and non-current liabilities	499	(111)
Total cash provided by operating activities	\$ 340	\$ 232
Cash flows from investing activities:		
Purchases of property, plant and equipment	(79)	(96)
Proceeds from sale of property, plant and equipment	2	5
Proceeds from sale of unconsolidated affiliate	-	23
Proceeds from sale of the CB&I business (\$450), net of CB&I cash (\$100)	-	350
Other	(11)	-
Total cash (used in)/provided by investing activities	\$ (88)	\$ 282
Cash flows from financing activities:		
Amazon financing	(22)	(21)
Tanks Term Loan - repayment	-	(330)
LC Term Loans	-	(84)
Debt issuance costs	-	(35)
Other	(7)	(4)
Total cash used in financing activities	\$ (29)	\$ (474)
Net increase in cash, cash equivalents and restricted cash	223	40
Cash, cash equivalents and restricted cash at beginning of period	858	818
Cash, cash equivalents and restricted cash at end of period	1,081	858
Supplemental cash flow information:		
Cash paid for interest	\$ 102	\$ 132
Cash paid for income taxes, net	82	119
Non-cash investing activities		
Purchases of property, plant and equipment	\$ (25)	\$ (9)

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Deficit	AOCI (In millions)	Stockholders' Equity	NCI	Total Equity
Balance at December 31, 2023	\$ 1	\$ 2,410	\$ (3,049)	\$ (75)	\$ (713)	\$ (4)	\$ (717)
Net loss	-	-	(115)	-	(115)	(11)	(126)
Other comprehensive loss, net of tax	-	-	-	(64)	(64)	-	(64)
Stock compensation expense	-	5	-	-	5	-	5
Accretion and dividends on Series A Preference Shares	-	-	(62)	-	(62)	-	(62)
Series A Preference Shares redemption and exchange	3	469	(125)	-	347	-	347
Other	-	-	-	-	-	2	2
Balance at December 31, 2024	\$ 4	\$ 2,884	\$ (3,351)	\$ (139)	\$ (602)	\$ (13)	\$ (615)
Net loss	-	-	(168)	-	(168)	(3)	(171)
Other comprehensive gain, net of tax	-	-	-	100	100	-	100
Stock compensation expense	-	11	-	-	11	-	11
Non-cash settlement with NCI partner (Note 18)	-	-	-	-	-	17	17
Balance at December 31, 2025	\$ 4	\$ 2,895	\$ (3,519)	\$ (39)	\$ (659)	\$ 1	\$ (658)

See accompanying Notes to these Consolidated Financial Statements.

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NOTE 1—NATURE OF OPERATIONS AND ORGANIZATION

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 business is organized into three business lines, which represent our reportable segments consisting of: (1) Low Carbon Solutions, 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.

The completion of our CB&I storage solutions segment sale, described in Note 3, *Discontinued Operations*, 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 17, *Redeemable Preference Shares*) into Class A Ordinary Shares, simplified our capital structure. The extension of the maturities of the Exit Credit Agreement and Escrow LC Facility, discussed in Note 10, *Debt*, gave us additional flexibility to grow our business; however, we continue to closely monitor performance risks.

We continue to actively pursue the resolution of our unapproved change order position and liquidated damage exposure with our customers. Although progress on resolving our unapproved change order position has been slower than anticipated, including due to the delays driven by regional instability and logistical disruptions stemming from the Middle East conflict, we have successfully managed our liquidity and remain confident in the recoverability. We also remain focused on managing risks in our supply chain to support continued progress across our project portfolio, including actively managing our vendor base and optimizing our utilization of letter-of-credit capacity. As part of these efforts, we have in the past, and may in the future, work with vendors to extend payment terms in order to preserve operating liquidity.

Should there be a significant further 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 would strain our liquidity position. In addition, our inability to meet our accounts payable obligations in a timely manner, whether as a result of project execution challenges, delays in customer collections, or inability to obtain extended payment terms, as needed, with our vendors and subcontractors, would also negatively impact our liquidity position and limit our working capital flexibility. In response to these risks, management has implemented and is executing plans to improve liquidity through various mechanisms, and if needed, we would expect to have shareholder support.

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 there could be a material impact on our business, financial condition, results of operations, or cash flows.

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.

Prior Period Reclassification

During the fourth quarter of 2025, we revised the presentation of certain project-related balances on our Consolidated Balance Sheets (“Balance Sheets”). As of December 31, 2025, project-related prepayments to vendors and subcontractors are presented within “Other current assets,” and invoices received but not yet approved are presented within “Accounts payable.” Prior period amounts as of December 31, 2024 have been reclassified to conform to the current period presentation. These reclassifications had no effect on our consolidated net income or cash flows.

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 and evaluation of potential contract-related losses arising from contractual disputes;
- 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 December 31, 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.
 - 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 or when the services have been performed. In determining when a performance obligation is complete for contracts with revenue recognized at a point in time, we evaluate the transfer of control by considering physical possession of the asset, legal transfer of title, the significant risks and rewards of ownership, customer acceptance of the promised asset or service, and our right 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 significant 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 Consolidated Statements of Operations (“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 Sheets 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 Assets—Our intangible assets were recognized upon emergence from bankruptcy and are amortized utilizing a straight-line method.

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

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

Derivative Financial Instruments—We utilize derivative financial instruments in certain circumstances to mitigate the effects of changes in foreign currency exchange rates and interest rates, as described below.

- *Foreign Currency Rate Derivatives*—We do not engage in currency speculation. However, we utilize foreign currency exchange rate derivatives on an ongoing basis to hedge against certain foreign currency related operating exposures. We generally apply hedge accounting treatment for contracts used to hedge operating exposures and designate them as cash flow hedges. Therefore, gains and losses are included in AOCI until the associated underlying operating exposure impacts our earnings, at which time the impact of the hedge is recorded within the 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.
- *Interest Rate Derivatives*—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 arrangements were designated as cash flow hedges, as the critical terms match those of the Term Loan Exit Facility.

The cash flows associated with derivative contracts designated as cash flow hedges are classified within the Consolidated Statements of Cash Flows (“Statements of Cash Flows”) in the same category as the cash flows of the related hedged operating exposures.

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.

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

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

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

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

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

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

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

Recent accounting guidance issued not yet adopted as of December 31, 2025

In November 2024, the Financial Accounting Standards Board issued 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 future 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 of pretax 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 year ended December 31, 2024 were as follows:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 4—REVENUE RECOGNITION

Remaining Performance Obligations (“RPOs”)

Our RPOs, by segment, were as follows:

	December 31, 2025		December 31, 2024	
	(Dollars in millions)		(Dollars in millions)	
Low Carbon Solutions	\$ 8,627	47%	\$ 7,061	40%
Offshore Middle East	7,217	40%	8,207	46%
Subsea and Floating Facilities	2,307	13%	2,478	14%
Total	<u>\$ 18,151</u>	<u>100%</u>	<u>\$ 17,746</u>	<u>100%</u>

Our RPOs increased by approximately \$0.4 billion from December 31, 2024 to December 31, 2025, due to new awards and change orders of approximately \$10.4 billion offset by operating revenues of approximately \$10 billion, in each case recognized during the year ended December 31, 2025.

Of the December 31, 2025 RPOs, we expect to recognize revenues as follows:

	2026	2027	Thereafter
	(In millions)		
Total RPOs	\$ 7,475	\$ 4,808	\$ 5,868

Revenue Disaggregation

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

	Year ended December 31,	
	2025	2024
	(In millions)	
Revenues by contract type:		
Fixed price	\$ 4,544	\$ 5,407
Hybrid	3,075	2,668
Cost-reimbursable ⁽¹⁾	2,328	111
Unit-basis and other	8	26
	<u>\$ 9,955</u>	<u>\$ 8,212</u>
Revenues by recognition methodology:		
Over time	\$ 9,949	\$ 8,205
At a point in time	6	7
	<u>\$ 9,955</u>	<u>\$ 8,212</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 December 31, 2025, we had unapproved change orders included in transaction prices for our projects aggregating to approximately \$1,393 million, of which approximately \$142 million was included in our RPO balance. Our unapproved change orders totaled \$248 million for our Low Carbon Solutions segment, \$974 million for our Offshore Middle East segment, and \$171 million for our Subsea and Floating Facilities segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The net increase to our unapproved change orders during the year ended December 31, 2025 totaled \$391 million and included approximately (1) \$44 million in net additions in our Low Carbon Solutions segment, (2) \$81 million in net additions in our Subsea and Floating Facilities segment, and (3) \$266 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 December 31, 2025 and 2024, we had incentives included in transaction prices for our projects aggregating to approximately \$105 million and \$210 million, respectively, primarily within our Offshore Middle East segment, of which approximately \$8 million and \$22 million, respectively, were included in our RPO balance.

Loss projects—Our accrual of provisions for estimated losses as of December 31, 2025 and 2024 is included in the “Advance billings on contracts” account and was approximately \$65 million and \$78 million, respectively, and related to loss projects that are approximately 99% complete on a weighted-average basis as of December 31, 2025.

Loss provision as of December 31, 2024 included \$26 million accrued in connection with a completed project. This accrual is recoverable under our insurance policy and is classified as a long-term liability within “Other non-current liabilities” on the Balance Sheets as of December 31, 2025.

Other—Revenue recognized during the year ended December 31, 2025 attributable to Advance billings on contracts balance outstanding as of December 31, 2024, was approximately \$1,245 million. Revenue recognized during the year ended December 31, 2024 attributable to Advance billings on contracts balance outstanding as of December 31, 2023, was approximately \$971 million.

Some of our contracts contain provisions that require us to pay liquidated damages if we are responsible for the failure to meet specified contractual milestone dates and the customer asserts a claim under those provisions. Those contracts define the conditions under which our customers may make claims against us for liquidated damages. In most cases in which we have historically had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. As of December 31, 2025 and 2024, we determined that we had approximately \$576 million and \$527 million of potential liquidated damages exposure based on performance under contracts to date, respectively. Based on our performance, and our commercial and legal analysis, we believe we appropriately recognize reductions in transaction prices related to this exposure only to the extent that a significant reversal of revenue will not occur. The amount recognized as of both December 31, 2025 and 2024 was \$3 million. 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 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

Year ended December 31, 2025

Segment operating results for the year ended December 31, 2025 were impacted by net unfavorable changes in estimates on various projects of approximately (1) \$173 million across several projects in our Offshore Middle East segment, resulting from increases in cost estimates related to productivity, adverse weather, and other factors; and (2) \$59 million in our Subsea and Floating Facilities segment, primarily driven by the impacts of final commercial settlements on substantially completed projects, as well as cost increases on an ongoing project resulting from productivity and weather-related conditions. These changes were partially offset by net improvements of \$4 million in our Low Carbon Solutions segment.

Year ended December 31, 2024

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

NOTE 6—ACCOUNTS RECEIVABLE—TRADE, NET

The trade receivable balances included the following:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<u>(In millions)</u>	
Contract receivables	492	\$ 497
Unbilled receivables ⁽¹⁾	441	-
Retainages ⁽²⁾	228	105
Less allowances	(19)	(19)
Accounts receivable—trade, net	<u>\$ 1,142</u>	<u>\$ 583</u>

- (1) Unbilled receivables classified within Accounts receivable—trade, net represent our unconditional right to payment associated with the cost-reimbursable contracts.
- (2) Retainages classified within Accounts receivable—trade, net are amounts anticipated to be collected within one year and as to which we have an unconditional right to collect from the customer, subject only to the passage of time. Retainages anticipated to be collected beyond one year are classified as Accounts receivable—long-term retainages on our Balance Sheets and totaled \$79 million as of December 31, 2025, of which \$69 million and \$10 million are expected to be collected in 2027 and thereafter, respectively.

NOTE 7—INTANGIBLE ASSETS

The components of intangible assets were as follows:

	<u>Weighted Average Useful Life (In years)</u>	<u>December 31, 2025</u>			<u>December 31, 2024</u>		
		<u>Gross carrying value</u>	<u>Accumulated amortization</u>	<u>Net carrying value</u>	<u>Gross carrying value</u>	<u>Accumulated amortization</u>	<u>Net carrying value</u>
		<u>(In millions)</u>					
Process technologies	8	\$ 150	\$ (103)	\$ 47	\$ 150	\$ (84)	\$ 66
Trade names	10	381	(210)	171	381	(172)	209
		<u>\$ 531</u>	<u>\$ (313)</u>	<u>\$ 218</u>	<u>\$ 531</u>	<u>\$ (256)</u>	<u>\$ 275</u>

Amortization expense of other intangible assets is anticipated to be \$57 million for each of the years ending December 31, 2026 and 2027, then declining to \$47 million in 2028, \$38 million in 2029, and \$19 million in 2030.

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 early 2024, the customer approved a limited notice to proceed which continued to remain in effect through 2025. The project previously had a portion of the out-of-country engineering and procurement activities receive a partial lifting of the suspension during 2024 and 2025. The Client has subsequently issued a formal letter lifting the project suspension effective December 17, 2025. McDermott continues to work with the customer, our partners in CCS JV, and our subcontractors and vendors to evaluate the project schedule and the potential impacts arising from the restart and related events including the evaluation and agreement of updated costs associated with the resumption of the project, which continue to maintain reimbursable elements for the portions affected by the suspension, restart and resumption of the project. Therefore, the project is expected to return to full EPC project execution conditions in 2026.

In connection with the suspension, restart, and resumption of the project, the CCS JV has executed significant change orders, including approximately \$1.1 billion during the fourth quarter of 2025 and a further \$252 million in January 2026. These change orders relate to reimbursable costs and agreed scope adjustments associated with the prolonged suspension and restart activities.

During the years ended December 31, 2025 and 2024, we recognized approximately \$112 million and \$149 million, respectively, in revenues related to the suspension. As of December 31, 2025, the RPOs associated with the project were approximately \$1.6 billion.

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<u>(In millions)</u>	
Current assets ⁽¹⁾	\$ 310	\$ 234
Non-current assets	7	1
Total assets	\$ 317	\$ 235
Current liabilities	\$ 300	\$ 235
Non-current liabilities	23	11
Total liabilities	\$ 323	\$ 246

⁽¹⁾ Includes approximately \$62.5 million of short-term time deposits as of December 31, 2025.

Our consortium arrangements may allow for excess working capital of the consortium to be advanced to the consortium participants. Such advances are returned to the ventures for working capital needs as necessary. As of December 31, 2025 and 2024 our proportionate share of advances from the consortiums to the other consortium participants was not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Proportionately Consolidated Collaborative Arrangement

The following is a summary description of our significant consortium that has been deemed a collaborative arrangement, for which we record our share of the consortium’s revenues, costs and profits.

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

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

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

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. Amendment No. 5 was executed on November 13, 2025, consistent with the terms of the Binding Term Sheet.

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

	December 31, 2025	December 31, 2024
	(In millions)	
Current assets ⁽¹⁾	\$ 630	\$ 438
Non-current assets	53	56
Total assets	\$ 683	\$ 494
Current liabilities	\$ 560	\$ 286
Non-current liabilities	8	39
Total liabilities	\$ 568	\$ 325

⁽¹⁾ Includes approximately \$31 million and \$3 million of cash and cash equivalents as of December 31, 2025 and 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 December 31, 2025 and 2024, Accrued liabilities on the Balance Sheets included approximately \$65 million related to advances from this joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- *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 December 31, 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 December 31, 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 year ended December 31, 2024, under “Gain 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 remained in operation to complete various post-project activities, including the legal matter discussed under “Chevron Arbitration” in Note 18, *Commitments and Contingencies*.

As of December 31, 2024, the 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, was as follows (not material as of December 31, 2025):

	December 31, 2024	
	(In millions)	
Current assets	\$	7
Current liabilities	\$	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9—SUPPLEMENTAL BALANCE SHEET DETAILS

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

	December 31, 2025	December 31, 2024
	(In millions)	
Cash and cash equivalents	\$ 962	\$ 757
Restricted cash and cash equivalents ⁽¹⁾	119	101
Total cash, cash equivalents and restricted cash reported in the Statements of Cash Flows	\$ 1,081	\$ 858

- (1) Restricted cash as of December 31, 2025 and 2024 was primarily associated with (1) \$45 million and \$43 million of cash collateral for letters of credit under the Senior LC Exit Facility, respectively; (2) \$32.5 million and \$30 million placed into an escrow account under the agreement with certain Senior LC Exit Facility participants, respectively; and (3) \$41 million and \$28 million of cash collateral under the uncommitted bilateral credit facilities, respectively. See Note 10, *Debt*, for discussion of our financing facilities.

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

	December 31, 2025	December 31, 2024
	(In millions)	
Property, plant and equipment		
Marine vessels	\$ 828	\$ 821
Construction and other equipment	161	119
Assets under construction	143	104
Buildings	54	49
Land	9	9
Finance lease right-of-use assets	26	23
Other	131	122
Total property, plant and equipment	1,352	1,247
Accumulated depreciation ⁽¹⁾	(329)	(265)
Property, plant and equipment, net	\$ 1,023	\$ 982
Accrued liabilities		
Accrued contract costs	\$ 1,319	\$ 902
Advances from equity method and proportionally consolidated joint ventures and consortiums ⁽²⁾	112	116
Income taxes payable	122	112
Other accrued taxes	70	47
Finance lease obligations	5	7
Other accrued liabilities ⁽³⁾	350	337
Accrued liabilities	\$ 1,978	\$ 1,521
Other non-current liabilities		
Pension, post-retirement medical and other employee benefit obligations	\$ 268	\$ 242
Self-insurance reserve	36	32
Income tax reserves	63	68
Long-term finance lease obligations	3	8
Other	80	73
Other non-current liabilities	\$ 450	\$ 423

- (1) Depreciation expense related to property, plant and equipment, including assets under finance leases, was approximately \$64 million and \$61 million for 2025 and 2024, respectively.
- (2) Represents advances from our joint ventures and consortiums in which we participate. See Note 8, *Joint Venture and Consortium Arrangements*, for further discussion.
- (3) Includes various accruals individually less than 5% of total current liabilities.

NOTE 10—DEBT

The carrying values of our debt obligations were as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<u>(In millions)</u>	
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>		
	\$ 23	\$ 20
<i>Exit Facilities</i>		
Term Loan Exit Facility	648	622
Term Loan Exit Facility - renewal costs	(12)	(18)
Make-Whole Exit Facility	44	44
<i>Amazon financing facility</i>		
Financing facility	148	170
Facility issuance costs	(12)	(13)
Total long-term debt	\$ 839	\$ 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 December 31, 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 approximately \$45 million of letters of credit (including \$2 million of interest income), under the Super Senior LC Exit Facility.

As of December 31, 2025 and 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 approximately \$1.5 billion and \$1.8 billion, respectively. The combined capacity under these three facilities will be further reduced 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 December 31, 2025 and 2024, we reflected (1) capitalized issuance costs, within “Other non-current assets”, of approximately \$54 million and \$90 million, respectively, which are amortized into interest expense over the term of the amended and extended facilities; (2) capitalized renewal issuance costs, within “Long-term debt”, of approximately \$12 million and \$18 million, respectively, which are amortized into interest expense over the amended term of the Term Loan Exit Facility; and (3) expensed approximately \$10 million in fees within “Transaction costs” in our Statement of Operations for the year ended December 31, 2024.

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 Sheets as of December 31, 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 December 31, 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 quarter 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 December 31, 2025.

We were in compliance with the financial covenant requirements as of December 31, 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 financing into the new Amazon Financing (as described below).

On February 19, 2021, our subsidiary, McDermott (Amazon Chartering), Inc. (the “Amazon Borrower”), and MIL, as parent guarantor, entered into a \$285 million ECA-backed term facilities agreement (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 financing, settling a portion of obligations associated with previous McDermott guarantees to the Amazon Owner for two separate interest rate swaps associated with the Amazon, and paying insurance premiums to the ECA to provide insurance coverage to the lenders. As of December 31, 2025, approximately \$170 million was outstanding under the Amazon Financing.

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

Uncommitted Facilities

We are party to a number of short-term uncommitted bilateral credit facilities and surety bond arrangements (the “Uncommitted Facilities”) across several geographic regions. As of December 31, 2025, capacity under the Uncommitted Facilities was approximately \$1.9 billion. The financial institutions that provide the Uncommitted Facilities have no obligation to issue letters of credit or bank guarantees, or to post surety bonds, on our behalf, and they may be able to demand that we provide them with cash or other collateral to backstop these liabilities. As of December 31, 2025, we held approximately \$41 million as cash collateral, under the Uncommitted Facilities, reflected within “Restricted cash and cash equivalents” in our Balance Sheets.

NOTE 11—LEASES

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

Leases	Balance Sheet classification	December 31, 2025	December 31, 2024
		(In millions)	
Assets			
Operating leases	Operating lease right-of-use assets	\$ 294	\$ 229
Finance leases	Property, plant and equipment, net	26	23
	Total leased assets	\$ 320	\$ 252
Current liabilities			
Operating leases	Current portion of long-term lease obligations	152	91
Finance leases	Accrued liabilities	5	7
		157	98
Non-current liabilities			
Operating leases	Long-term operating lease obligations	157	164
Finance leases	Other non-current liabilities	3	8
		160	172
	Total lease liabilities	\$ 317	\$ 270

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

Statement of Operations classification	Year ended December 31,	
	2025	2024
	(In millions)	
Cost of operations	\$ 215	\$ 88
Selling, general and administrative expenses	19	18
Net lease cost ⁽¹⁾	\$ 234	\$ 106

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

On March 4, 2022, we executed an agreement with a third party to lease a portion of our corporate headquarters in Houston, Texas. The agreement represents a sublease as we maintain the primary obligation under the original lease, which is classified as an operating lease, and will terminate in May 2036. In addition, on April 3, 2024, we executed another agreement to sublease additional floors of our corporate headquarters to a third party and executed an amendment to the original lease to transfer the primary lease obligation to the sublessee starting in June 2026. During 2025 and 2024, we recognized approximately \$8 million and \$7 million, respectively, of sublease income in selling, general and administrative expenses in our Statements of Operations.

Future minimum lease payments for our operating and finance leases as of December 31, 2025 were as follows:

	Operating leases	Finance leases
	(In millions)	
2026	\$ 173	\$ 6
2027	61	4
2028	36	-
2029	33	-
2030	23	-
After 2030	93	-
Total lease payments	419	10
Less: Interest	(110)	(2)
Present value of lease liabilities	\$ 309	\$ 8

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The weighted average remaining lease terms and discount rates were as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Weighted average remaining lease term		
Operating leases	4 years	6.5 years
Finance leases	2 years	2 years
Weighted average discount rate		
Operating leases	18%	20%
Finance leases	14%	14%

Supplemental cash flow information related to leases was as follows:

	<u>Year ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>(In millions)</u>	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 185	\$ 89
Financing cash flows from finance leases	7	4
Non-cash information on lease liabilities arising from obtaining right-of-use assets		
Right-of-use assets obtained in exchange for new operating lease liabilities	113	112
Right-of-use assets obtained in exchange for new finance lease liabilities	-	13

NOTE 12—PENSION AND POSTRETIREMENT BENEFITS

Defined Contribution Plans

We sponsor multiple defined contribution plans for eligible employees with various features, including voluntary employee pre-tax and Roth-based contributions. Expense associated with these plans was approximately \$14 million and \$21 million for the years ended December 31, 2025, and 2024, respectively. Pension expense during 2024 included a \$10 million one-time voluntary contribution.

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.

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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 cost are primarily recognized within “Other non-operating income (expense), net” line in our Statements of Operations.

	Year ended December 31,	
	2025	2024
	(In millions)	
U.S. pension plans:		
Interest cost	\$ -	\$ 1
Actuarial mark to market (gain) loss ⁽¹⁾	1	(1)
Net periodic benefit cost	\$ 1	\$ -
Non-U.S. pension plans:		
Service cost	\$ 1	\$ -
Interest cost	21	19
Expected return on plan assets	(17)	(17)
Actuarial mark to market (gain) loss ⁽¹⁾	1	(18)
Net periodic benefit (income) cost	\$ 6	\$ (16)
Other postretirement plans:		
Interest cost	\$ 1	\$ 1
Actuarial mark to market (gain) loss ⁽¹⁾	1	(1)
Net periodic benefit cost	\$ 2	\$ -

⁽¹⁾ Actuarial mark to market impact was as follows:

- Actuarial mark to market loss for the year ended December 31, 2025 was \$3 million and primarily associated with losses in the United Kingdom, United States and our postretirement plans.
- Actuarial mark to market gain for the year ended December 31, 2024 was \$20 million and primarily associated with gains in the Netherlands and the United Kingdom plans, \$17 million and \$1 million, respectively.

Amounts Recognized in Balance Sheet

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

	U.S. pension plans		Non-U.S. pension plans	
	2025	2024	2025	2024
	(In millions)		(In millions)	
Amounts recognized in balance sheet consist of:				
Prepaid benefit cost within Other non-current assets	\$ -	\$ -	\$ 7	\$ 8
Accrued benefit cost within Accrued liabilities	(1)	(1)	-	-
Accrued benefit cost within Other non-current liabilities	(7)	(7)	(128)	(110)
Net (unfunded) status recognized	\$ (8)	\$ (8)	\$ (121)	\$ (102)

Our postretirement plans were in underfunded positions as of December 31, 2025 and 2024 and totaled \$13 million and \$12 million, respectively, and primarily included within Other non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Change in Projected Benefit Obligation and Plan Assets

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

	U.S. pension plans		Non-U.S. pension plans	
	2025	2024	2025	2024
	(In millions)		(In millions)	
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	\$ 8	\$ 9	\$ 529	\$ 608
Service cost	-	-	1	-
Interest cost	-	1	21	19
Actuarial loss (gain)	1	(1)	(35)	(39)
Benefits paid	(1)	(1)	(35)	(33)
Currency translation	-	-	58	(26)
Projected benefit obligation at end of year	8	8	539	529
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ -	\$ -	\$ 427	\$ 476
Actual return (loss) on plan assets	-	-	(19)	(2)
Company contributions	1	1	1	5
Benefits paid	(1)	(1)	(35)	(33)
Currency translation	-	-	44	(19)
Fair value of plan assets at end of year	-	-	418	427
Net unfunded status	\$ (8)	\$ (8)	\$ (121)	\$ (102)

Accumulated Benefit Obligations—As of December 31, 2025 and 2024, the accumulated benefit obligation for our defined benefit pension plans was \$548 million and \$537 million, respectively. The following table includes summary information for those defined benefit plans with an accumulated benefit obligation in excess of plan assets:

	U.S. pension plans		Non-U.S. pension plans	
	2025	2024	2025	2024
	(In millions)		(In millions)	
Projected benefit obligation	\$ 8	\$ 8	\$ 374	\$ 367
Accumulated benefit obligation	8	8	374	367
Fair value of plan assets	-	-	246	257

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

	U.S. pension plans		Non-U.S. pension plans	
	2025	2024	2025	2024
Weighted average assumptions used to determine net periodic benefit obligations at December 31,				
Discount rate	4.95%	5.40%	4.36%	3.77%
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	4.95%	4.95%	3.24%	3.24%
Expected return on plan assets ⁽¹⁾	N/A	N/A	4.07%	3.77%

- ⁽¹⁾ The expected long-term rate of return on plan assets was derived using historical returns by asset category and expectations of future performance.

As benefit accruals under each of the plans are frozen, future pay is not projected in the determination of the benefit obligation as of December 31, 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Effect on	
	Pretax Pension Expense in 2025 ⁽¹⁾	Pension Benefit Obligation at December 31, 2025
	(in millions)	
25-basis-point change in discount rate	14	14

- ⁽¹⁾ A 25-basis-point change in the expected rate of return on plan assets would not have a material impact on pretax pension expense in 2025.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following tables present the fair values of our plan assets by investment category and valuation hierarchy level as of December 31, 2025 and 2024:

Asset category	December 31, 2025			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Fixed income securities:				
International government bonds ⁽¹⁾	\$ -	\$ 93	\$ -	\$ 93
International corporate bonds ⁽²⁾	-	36	-	36
International mortgage funds ⁽³⁾	-	33	-	33
All other fixed income securities ⁽⁴⁾	-	19	-	19
Equity securities:				
International funds ⁽⁵⁾	-	37	-	37
Emerging markets growth funds	-	2	-	2
Other investments:				
Asset allocation funds ⁽⁶⁾	-	5	-	5
Cash and accrued items	7	-	-	7
Insurance buy-in policies ⁽⁷⁾	-	-	186	186
Total Investments	\$ 7	\$ 225	\$ 186	\$ 418

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	U.S. pension plans	Non-U.S. pension plans (in millions)	Other post- retirement plans
Expected employer contributions to trusts of defined benefit plans:			
2026	\$ 1	\$ 1	\$ -
Expected benefit payments:			
2026	\$ 1	\$ 36	\$ 2
2027	1	35	1
2028	1	35	1
2029	1	35	1
2030	1	35	1
2031-2035	3	172	5

Health Care Cost Inflation—As noted above, we provide specific postretirement health care benefits for eligible retired U.S. employees and their dependents. Eligible current retirees can elect coverage on a retiree-pay-all basis; there is no longer a company subsidy for the cost of coverage. Future retirees and new employees are not eligible for these post-retirement health care benefits. Additionally, there is a closed group of retirees for which we assume some or all of the cost of coverage. For this group, health care cost trend rates are projected at annual rates ranging from 7.25% in 2026, down to 5% in 2035 and after. A change in the assumed health care cost trends by one percentage point would not have a material impact on the total service and interest cost components of net postretirement healthcare cost for 2025 and the accumulated postretirement benefit obligation as of December 31, 2025.

Multi-Employer Pension Plans

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

NOTE 13—FAIR VALUE MEASUREMENTS

Fair value of financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31, 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 17)	\$ (117)	\$ (117)	\$ -	\$ -	\$ (117)
Forward contracts ⁽¹⁾	(5)	(5)	-	(5)	-
Not measured at fair value on recurring basis					
Debt ⁽²⁾	(885)	(731)	-	(557)	(174)

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

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

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

Fair value of non-financial instruments

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

On April 3, 2024, we executed an agreement to sublease additional floors within our corporate headquarters to a third party and executed an amendment to the original lease to transfer the primary lease obligation to the sublessee starting in June 2026. In connection with the sublease commencement, we tested for the recoverability of the operating lease and associated furniture and fixtures and recognized approximately \$9 million impairment associated with the subleased floors and approximately \$7 million of lease termination costs, recorded within "Property, plant and equipment impairment" and "Loss on disposal of other assets and investments, net", respectively, in our Statement of Operations for the year ended December 31, 2024.

NOTE 14—DERIVATIVE FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Derivatives—The notional value of our outstanding foreign exchange rate derivative contracts designated as cash flow hedges totaled approximately \$1.2 billion as of December 31, 2025, with maturities extending through June 2026. The net fair value was in a net liability position totaling approximately \$4 million as of December 31, 2025. 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.

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 arrangements were designated as a cash flow hedges, as the critical terms match those of the Term Loan Exit Facility. Accordingly, changes in the fair value of the swap arrangement are included in AOCI until the associated underlying exposure impacts our interest expense. As of December 31, 2025, the fair value of the swap arrangements was in a net liability position totaling approximately \$1 million, recognized in the “Accrued liabilities” in our Balance Sheets.

As of December 31, 2025, we deferred approximately \$46 million of net losses in AOCI in connection with our cash flow hedges, and we expect to reclassify approximately \$33 million of deferred losses out of AOCI by December 31, 2026, as the hedged items impact earnings.

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

	December 31, 2025	December 31, 2024
	(In millions)	
Other current assets	\$ 4	\$ 2
Total derivatives asset	\$ 4	\$ 2
Accrued liabilities	\$ 9	\$ 7
Total derivatives liability	\$ 9	\$ 7

Under the netting arrangements with the same party, approximately \$4 million and \$2 million of derivative assets were offset against the derivative liabilities as of December 31, 2025 and 2024, respectively.

The fair value of derivatives not designated as cash flow hedges was immaterial as of December 31, 2025 and 2024. The notional value of these derivatives was \$126 million and \$115 million as of December 31, 2025 and 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:

	Year ended December 31,	
	2025	2024
	(In millions)	
Amount of gain (loss) recognized in OCI		
Foreign exchange hedges	\$ 26	\$ (70)
Interest rate hedges	(1)	-
Loss recognized on derivatives designated as cash flow hedges		
Foreign exchange hedges		
Cost of operations	(38)	(18)
Loss recognized on derivatives not designated as cash flow hedges		
Foreign exchange hedges		
Cost of operations	-	(2)

NOTE 15—INCOME TAXES

MIL, is a Bermudian corporation. Beginning in 2025, Bermuda enacted a corporate income tax regime that imposes a statutory tax rate of 15%, and the Company is now subject to income tax in Bermuda. We operate in various taxing jurisdictions around the world. Each of these jurisdictions has a regime of taxation that varies, not only with respect to nominal rate, but also with respect to the basis on which these rates are applied. These variations, aligned with the changes in our mix of income or loss from these jurisdictions, may contribute to shifts, sometimes significant, in our effective tax rate.

The components of our income tax expense were as follows:

	Year ended December 31,	
	2025	2024
	(In millions)	
U.S.:		
Current	\$ 4	\$ (2)
Other than U.S.:		
Current	94	118
Deferred	(11)	(19)
	<u>\$ 87</u>	<u>\$ 97</u>

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

	Year ended December 31,	
	2025	2024
	(In millions)	
U.S.	\$ (98)	\$ (283)
Other than U.S.	14	(22)
Income (loss) before provision for income taxes	<u>\$ (84)</u>	<u>\$ (305)</u>

The following is a reconciliation from a Bermuda statutory federal tax rate of 15% and 0% for the years ended December 31, 2025 and 2024 to the consolidated effective tax rate:

	Year ended December 31,	
	2025	2024
Federal statutory rate	15%	0%
Rate differentials	(7%)	(1%)
Change in valuation allowance for deferred tax assets - U.S.	(23%)	22%
Change in valuation allowance for deferred tax assets - others	(111%)	(7%)
Withholding tax	(38%)	(13%)
Settlement expenses related to a completed project	0%	(7%)
Uncertain tax position	7%	1%
Deemed profit	(14%)	(4%)
Expired foreign tax credits	(17%)	(9%)
Tax attribute write-off due to entity liquidation	0%	(32%)
Malaysia tax holiday benefit	5%	7%
Prior year true-ups	17%	2%
Return to accrual adjustment	86%	8%
Other	(24%)	1%
Effective tax rate	<u>(104%)</u>	<u>(32%)</u>

The negative effective tax rates for the years ended December 31, 2025 and 2024 were driven by a mix of earnings in the higher tax rate jurisdictions, withholding taxes, and no tax benefit was recognized in the loss jurisdictions as a result of the valuation allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	December 31, 2025	December 31, 2024
	(In millions)	
Deferred tax assets:		
U.S. Federal net operating loss carryforward and other credits	\$ 335	\$ 335
Non-U.S. net operating losses	471	377
State net operating loss carryforward and other credits	138	149
Debt costs and disallowed interest	239	193
Depreciation and amortization	102	112
Allowance for doubtful accounts	3	19
Contract revenue and cost/long-term contracts	36	44
Operating lease liability	60	49
Partnership investments	22	31
Pension liability	36	32
Insurance and legal reserves	6	6
Accrued liabilities for incentive compensation	24	15
Other	1	2
Total deferred tax assets	1,473	1,364
Valuation allowance for deferred tax assets	(1,425)	(1,339)
Deferred tax assets	48	25
Deferred tax liabilities:		
Depreciation and amortization	\$ 23	30
Right-of-use assets	52	41
Investments in foreign subsidiaries	35	29
Other	3	-
Total deferred tax liabilities	113	100
Net deferred tax liabilities	\$ (65)	\$ (75)

As of December 31, 2025 and 2024, we did not provide deferred income taxes on temporary differences of our subsidiaries which are indefinitely reinvested. The amount of those temporary differences as of December 31, 2025 and 2024 is approximately \$91 million and \$69 million, respectively. The reversal of these temporary differences as of December 31, 2025 and 2024 would result in withholding tax of approximately \$10 million and \$8 million, respectively. We do not foresee having to reverse the outside basis differences in those entities as our cash and debt structure allows us to access funds from sources other than our United States subsidiary and its foreign subsidiaries, which can be used to fund our U.S. and non-U.S. operations and service the debt. Deferred income taxes are provided as necessary with respect to basis differences that are not indefinitely reinvested.

Valuation Allowance

At December 31, 2025, we had a VA of approximately \$1.4 billion for DTAs that we expect cannot be realized through carrybacks or future reversals of existing taxable temporary differences. Additionally, losses were incurred during 2022 through 2025 that are partially attributable to restructuring charges and related expenses, including settlement costs associated with a legal matter related to a completed project. As a result, we have a cumulative consolidated loss for the three years ended December 31, 2025, and therefore believe we are precluded from relying on projections of future book income to support the realizability of our DTAs. Accordingly, we have concluded that it is unlikely that we will utilize the majority of our DTAs in the foreseeable future and have recorded a full valuation allowance against those DTAs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2025	2024
	(In millions)	
Balance at beginning of period	\$ 1,339	\$ 1,400
Charged to costs and expenses	66	(35)
Charged to other accounts	20	(26)
Balance at end of period	<u>\$ 1,425</u>	<u>\$ 1,339</u>

Other

As of December 31, 2025, our Non-U.S., U.S. and State NOL DTAs, VAs and expiration dates were as follows:

	NOL DTA	VA	Expiration
Non-U.S.	\$ 471	\$ (455)	2026 - Unlimited
U.S.	283	(283)	Unlimited
State	136	(136)	2026 - 2045

We operate under a tax holiday in Malaysia, effective through December 31, 2025. The Malaysian tax holiday reduced our foreign income tax expense by \$3.8 million and \$23.9 million in 2025 and 2024, respectively.

We conduct business globally and, as a result, we or our various affiliated entities file income tax returns in a number of jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Brazil, Canada, India, Indonesia, Kuwait, Malaysia, Mauritania, Mexico, Netherlands, Qatar, Saudi Arabia, Senegal, the United Kingdom, and the United States. With few exceptions, we are no longer subject to tax examinations for years prior to 2015.

A reconciliation of unrecognized tax benefits is as follows:

	Year ended December 31,	
	2025	2024
	(In millions)	
Balance at beginning of period	\$ 55	\$ 54
Increases based on tax positions taken in the current year	2	3
Decreases based on tax positions taken in prior years	(10)	(1)
Increases based on tax positions taken in prior years	2	-
Decreases due to lapse of applicable statute of limitation	-	(1)
Balance at end of period	<u>\$ 49</u>	<u>\$ 55</u>

The entire \$49 million of the balance of unrecognized tax benefits at December 31, 2025 would reduce our effective tax rate if recognized. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. At December 31, 2025 and 2024, we had recorded liabilities of approximately \$7 million and \$6 million, respectively, for the payment of tax-related interest and penalties.

NOTE 16—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 December 31, 2025, we had 96.8 million shares authorized and 28.5 million shares issued and outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 \$11 million and \$5 million during the years ended December 31, 2025 and 2024, respectively.

At December 31, 2025, there was \$19 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 years.

As of December 31, 2025, approximately 0.3 million shares of common stock were available for future grants under our stock-based compensation programs.

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	(20)	(70)	-	(90)
Amounts reclassified from AOCI ⁽²⁾	6	20	-	26
Net current period change	(14)	(50)	-	(64)
December 31, 2024	\$ (27)	\$ (109)	\$ (3)	\$ (139)
Other comprehensive income before reclassification	37	25	-	62
Amounts reclassified from AOCI ⁽²⁾	-	38	-	38
Net current period change	37	63	-	100
December 31, 2025	\$ 10	\$ (46)	\$ (3)	\$ (39)

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

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

NOTE 17—REDEEMABLE PREFERENCE SHARES

On March 25, 2024, we issued \$75 million aggregate principal amount of non-voting preference shares, consisting of 75,000 shares with a par value of 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 was approximately \$117 million as of December 31, 2025 and 2024, recorded in “Series B Preference Shares” within non-current liabilities in the Balance Sheets. During the year ended December 31, 2025, the decrease in fair value of the Series B Preference Shares was approximately \$7 million, offset by accrued dividends of \$7 million. Change in the carrying value of the Series B Preference Shares is 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 outstanding Series A Preference Shares into Class A Ordinary Shares. The outstanding Series A Preference Shares, with an approximate value of \$347 million as of December 31, 2024 (determined based on the fair value at the time of issuance adjusted for cumulative dividends and the fair value accretion), were redeemed or exchanged for approximately 2,896 million Class A Ordinary Shares with an approximate value of \$472 million (determined based on the liquidation preference adjusted for a premium). Following the redemption and exchange, no Series A Preference Shares remain outstanding. Prior to the redemption, during 2024, we recorded \$37 million of accretion and \$25 million of dividends as an adjustment to the carrying value of the Series A Preference Shares and increase to Accumulated Deficit. In connection with the redemption, we recorded in the “Interest expense, net” approximately \$38 million of previously deferred costs associated with issuance of the Series A Preference Shares in 2020.

NOTE 18—COMMITMENTS AND CONTINGENCIES

Investigations and Litigation

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

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

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

Chevron Arbitration—We are involved in an arbitration proceeding (governed by the arbitration rules of the United Nations Commission on International Trade Law) entitled CBI Constructors Pty & Kentz Pty Ltd (“CKJV”) vs. Chevron Australia Pty Ltd., which was commenced on or about May 17, 2017, with the customer for one of CB&I’s previously-completed consolidated joint venture projects, regarding differing interpretations of the contract related to reimbursable billings. CKJV is owned 65% by 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. In connection with the settlement, we recorded an adjustment to the “Noncontrolling interest” balance attributable to Kentz Pty Ltd within our Balance Sheets as of December 31, 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 Reply and Defence to Counterclaim filed in October 2025 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 August 2025, it has spent a total of \$1,267 million to date, of which it claims approximately \$892 million as “additional cost” recoverable from MMCL. BP also alleges that it estimates that it could incur a further \$79 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. MMCL and MIMI are continuing to conduct detailed factual inquiries in connection with the dispute and have yet to fully quantify their counterclaim. We expect that each party will also seek to recover interest, arbitration costs and expenses. The arbitration hearing 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. Oral argument was held on August 20, 2025, and we are awaiting a decision from the Court.

At this time, we do not believe a risk of material loss is probable related to this matter, and no amounts have been accrued as of December 31, 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 December 31, 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 to the Fifth Circuit, briefing is complete, and oral arguments were held on March 2, 2026.

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. Following oral argument on August 5, 2025, the Fifth Circuit issued its opinion affirming the District Court’s class certification ruling. In October 2025, the Edwards plaintiff filed a petition seeking panel rehearing from the Fifth Circuit, which was denied in December 2025. On January 16, 2026, three putative class members filed motions seeking appointment as lead plaintiff on behalf of the proposed subclass of shareholders who acquired MII common stock during the relevant period. Briefing on those motions is ongoing.

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

We do not believe a material loss is probable related to these matters and, accordingly, no amounts have been accrued as of December 31, 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 of \$10.5 million relating to the 2021 imports, 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. In October 2025, the Secondary Customs Committee ruled in MACL’s favor, dismissing ZATCA’s assessment, and ZATCA issued a further appeal to the President of the Customs Appellate Committee, requesting reinstatement of the \$10.5 million assessment. In January 2026, MACL was notified that the President of the Customs Appellate Committee ruled in its favor and dismissed ZATCA’s \$10.5 million assessment. This was the final level of appeal within Customs, the decision is fully binding, and, accordingly, no amounts have been accrued as of December 31, 2025.

Petrobras Sepia Arbitration—In May 2019, McDermott Servicos Offshore do Brasil LTDA contracted with Petrobras for the Sepia project, which required the use of rigid Mechanically Lined Pipe (MLP) for which local sourcing was required by the contract local content requirements. McDermott contracted with Vallourec, which in turn engaged Cladtek for MLP production and lining. Cladtek was the sole Petrobras-qualified Brazilian subcontractor.

The Sepia project faced significant delays due to changes in Petrobras’ testing requirements, COVID-19 impacts and other matters, resulting in McDermott incurring substantial costs. Petrobras terminated the contract in August 2023.

In 2025, Petrobras and McDermott reached an agreement to refer the matter to arbitration administered under International Chamber of Commerce (ICC) in Rio de Janeiro, Brazil. In December 2025, as McDermott was preparing to start arbitration, McDermott was served with a Request for Arbitration by Petrobras which asserts claims for delay, alleged in MLPs, and missed milestones. The Request for Arbitration seeks damages of approximately 221 million Brazilian reais (approximately \$40 million), plus interest, monetary adjustment, and additional unspecified damages, costs and expenses. Petrobras also requests confirmation of the validity of its termination. McDermott denies any liability to Petrobras on these claims and filed counterclaim amounts in excess of \$150 million, seeking to recover the value of goods procured and services performed as of the time of termination.

At this time, we do not believe a material loss is probable related to this matter, and accordingly, no amounts have been accrued or disclosed as of December 31, 2025.

Schultze Master Fund Shareholder Litigation— On December 8, 2025, Schultze Master Fund, Ltd. (“Schultze”) filed a putative class action against McDermott International, Ltd (“MIL”) and several current and former MIL officers and directors relating to MIL’s 2024 redemption of its Series A Preference Shares into Ordinary Shares (the “Redemption”). Schultze claims the named officers and directors violated fiduciary duties by improperly valuing MIL in connection with the Redemption to benefit Preference Shareholders. Schultze asserts three claims on behalf of a class and subclass of Ordinary Shareholders. Claims against MIL are, first, breach of a 2020 Investment Agreement and MIL’s Bye-Laws for failing to use all reasonable efforts to list MIL on the New York Stock Exchange on or prior to April 30, 2023; and second, for breach of MIL’s Bye-Laws for undertaking the Redemption for an improper purpose (allegedly to improperly benefit the Preference Shareholders). The third claim is a derivative claim purportedly on behalf of MIL against the named directors and officers for breach of fiduciary duties.

We do not believe a material loss is probable related to this matter, and accordingly, no amounts have been accrued as of December 31, 2025.

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 2026. As of December 31, 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 December 31, 2025 and 2024, we determined that we had approximately \$576 million and \$527 million of potential liquidated damages exposure based on performance under contracts to date, respectively. Based on our performance, and our commercial and legal analysis, we believe we appropriately recognize reductions in transaction prices related to this exposure only to the extent that a significant reversal of revenue will not occur. The amount recognized as of both December 31, 2025 and 2024 was \$3 million. Significant potential liquidated damages exposures included in the \$576 million are: (1) an exposure for \$57 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 \$153 million, where we are working on a revised execution plan to mitigate schedule delays; (4) an exposure for \$85 million, where we are working with the customer to achieve project milestone dates; and (5) an exposure of \$62 million, where relief or mitigation measures are under evaluation.

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 liquidated damages. However, we may not achieve relief on some or all of the issues involved and, as a result, could be subject to liquidated damages in the future. In such events, our financial condition or results of operations could be materially impacted.

NOTE 19—SEGMENT REPORTING

We disclose the results of each of our reporting segments in accordance with ASC 280, *Segment Reporting*. Our Executive Committee (“EXCOM”) is led by our Chief Executive Officer, 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. During the year ended December 31, 2025, foreign exchange losses related to intercompany balances totaled approximately \$144 million, and were recorded in “Other non-operating income (expense), 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 year ended December 31, 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 associated with our continuing operations were as follows:

	Year ended December 31, 2025				
	(In millions)				
	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total
Revenues	\$ 4,945	\$ 3,165	\$ 1,845	\$ -	\$ 9,955
Cost of revenue	4,679	3,034	1,804	(1)	9,516
Selling, general and administrative expenses ⁽¹⁾⁽²⁾	24	20	31	105	180
Intangible assets amortization (Note 7)	12	25	20	-	57
Research and development expenses	-	-	1	1	2
Restructuring costs ⁽³⁾	-	-	-	8	8
Transaction costs	-	-	-	1	1
Gain on disposal of other assets and investments, net	-	-	-	(1)	(1)
Total expenses	4,715	3,079	1,856	113	9,763
Income (loss) from investments in unconsolidated affiliates (Note 8)	(3)	1	11	26	35
Operating income (loss)	\$ 227	\$ 87	\$ -	\$ (87)	\$ 227

	Year ended December 31, 2024				
	(In millions)				
	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total
Revenues	\$ 2,981	\$ 3,322	\$ 1,909	\$ -	\$ 8,212
Cost of revenue	2,984	3,280	1,801	(5)	8,060
Selling, general and administrative expenses ⁽¹⁾⁽²⁾	15	18	24	138	195
Intangible assets amortization (Note 7)	12	25	20	-	57
Research and development expenses	-	-	1	5	6
Property, plant and equipment impairment (Note 13)	-	-	-	9	9
Restructuring costs ⁽³⁾	-	-	-	33	33
Transaction costs ⁽³⁾	-	-	-	11	11
(Gain) loss on disposal of other assets and investments, net (Note 8, 13)	(1)	(2)	-	8	5
Total expenses	3,010	3,321	1,846	199	8,376
Income (loss) from investments in unconsolidated affiliates (Note 8)	(12)	2	6	16	12
Operating income (loss)	\$ (41)	\$ 3	\$ 69	\$ (183)	\$ (152)

- (1) Selling, general and administrative expenses for the years ended December 31, 2025 and 2024 included approximately \$56 million and \$50 million, respectively, of selling and bidding expenses.
- (2) During 2024, our selling, general and administrative expenses within Corporate and Global Operations included approximately \$51 million related to the change in the carrying value of our Series B Preference Shares, discussed in Note 17, *Redeemable Preference Shares*. The corresponding impact in 2025 was not material.
- (3) Restructuring costs for the year ended December 31, 2025 were primarily related to employee severance and lease termination charges. Restructuring and transaction costs for the year ended December 31, 2024 was primarily related to expenses incurred in connection with a series of integrated restructuring transactions which collectively de-risked our balance sheet, including by discharging certain liabilities associated with a completed project and extending the maturity of the Escrow LC Facility and the Exit Credit Agreement, as discussed in Note 10, *Debt*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Depreciation and amortization expense and capital expenditures were as follows:

	Year ended December 31,	
	2025	2024
	(In millions)	
Depreciation and amortization:		
Low Carbon Solutions	\$ 13	\$ 13
Offshore Middle East	47	47
Subsea and Floating Facilities	57	51
Corporate and Global Operations	17	16
Total depreciation and amortization - continuing operations	\$ 134	\$ 127
Total depreciation and amortization - discontinued operations	-	22
Total depreciation and amortization	\$ 134	\$ 149
Capital expenditures ⁽¹⁾:		
Low Carbon Solutions	\$ 5	\$ 1
Offshore Middle East	28	46
Subsea and Floating Facilities	29	20
Corporate and Global Operations	17	16
Total capital expenditures - continuing operations	\$ 79	\$ 83
Total capital expenditures - discontinued operations	-	13
Total capital expenditures	\$ 79	\$ 96

(1) Capital expenditures represent cash purchases.

Our segment assets were as follows:

	December 31, 2025	December 31, 2024
	(In millions)	
Low Carbon Solutions	\$ 2,228	\$ 1,598
Offshore Middle East	2,117	1,552
Subsea and Floating Facilities	1,794	1,593
Corporate and Global Operations	900	957
Total assets	\$ 7,039	\$ 5,700

Our significant customers by segments were as follows:

	% of Consolidated Revenues	Reportable Segment
<i>Year ended December 31, 2025:</i>		
Golden Pass Products LLC (QatarEnergy 70% and ExxonMobil 30%)	21%	Low Carbon Solutions
QatarEnergy LNG	19%	Offshore Middle East
Woodfibre LNG	13%	Low Carbon Solutions
<i>Year ended December 31, 2024:</i>		
Saudi Aramco	21%	Offshore Middle East
QatarEnergy LNG	17%	Offshore Middle East
Golden Pass Products LLC (QatarEnergy 70% and ExxonMobil 30%)	13%	Low Carbon Solutions
Woodfibre LNG	11%	Low Carbon Solutions

Operating Information by Geography

	Year ended December 31,	
	2025	2024
	(In millions)	
Revenues		
United States	\$ 2,779	\$ 1,714
Qatar	1,934	1,452
Australia	971	892
Saudi Arabia	901	1,872
Canada	790	462
Germany	571	264
Mozambique	406	254
Trinidad and Tobago	391	169
United Arab Emirates	350	35
Vietnam	230	66
Uganda	196	324
Angola	113	88
India	82	322
Other countries	241	298
Total geographic revenues	\$ 9,955	\$ 8,212

	December 31, 2025	December 31, 2024
	(In millions)	
	Property, plant and equipment	
Brazil	\$ 464	\$ -
Indonesia	145	104
Australia	119	129
Saudi Arabia	80	62
Dubai	67	-
United States	62	86
Qatar	46	1
Mexico	27	30
United Arab Emirates	1	117
Barbados	-	443
Other countries	12	10
Total property, plant and equipment, net ⁽¹⁾	\$ 1,023	\$ 982

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

NOTE 20—RELATED PARTY TRANSACTIONS

As of December 31, 2025 and 2024, our funded debt under the Exit Facilities (as described in Note 10, *Debt*) held by significant shareholders totaled approximately \$198 million and \$190 million, respectively. In connection with these facilities, we recognized interest expense with the related parties of approximately \$16 million and \$21 million for the years ended December 31, 2025 and 2024, respectively.

In addition, during 2025, we provided transitional support service to our former CB&I segment, where one of our directors currently serves as a director, totaling approximately \$17 million. These amounts were recorded as a reduction of our “Selling, general, and administrative expenses” in our Statement of Operations.

Receivables and payables arising from transactions with related parties were not material as of December 31, 2025 and 2024.

NOTE 21—SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 7, 2026, the date these financial statements were available to be issued.

On February 28, 2026, the security situation in the Middle East escalated significantly following the commencement of a major military conflict involving the United States, Israel, and Iran. This conflict has resulted in the closure of portions of regional airspace and retaliatory military actions affecting multiple countries in the region where we operate, including Saudi Arabia, the United Arab Emirates, and Qatar. As the conflict has intensified, several countries in the region, including Qatar, have declared force majeure on certain oil, gas, or energy-related operations due to severe disruptions and damages to energy infrastructure and shipping routes. Notably, our customer, QatarEnergy LNG, one of the world's largest suppliers of LNG, declared force majeure on LNG shipments after halting production at key LNG facilities following operational safety risks.

Such conflict has resulted in, and could continue to result in, supply disruptions, damage to energy infrastructure, increased shipping and insurance costs, delays or rerouting of oil and gas cargos, heightened security risks, and increased volatility in oil and gas prices, all of which could affect our customers, our customers' ability to make payments timely, if at all, on our existing contracts and our ability to do business with our customers or could cause delays development of our awarded contracts.

We continue to monitor developments in the region closely and assess any potential impact on our operations, which could be material if the conflict continues and intensifies.

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

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

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

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

- the adequacy of our sources of liquidity and capital resources;
- implementation of strategies to reduce and recover costs, increase operational efficiencies and lower our capital spending in connection with the current macroeconomic environment;
- the ultimate impact and duration of the recent military escalation between the U.S., Israel, and Iran, and both the Russia-Ukraine and 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, excise duties and tariffs and the reactions of other countries thereto;
- 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 effects of war, other armed conflicts, civil unrest or terrorist attacks, including the recent military escalation between the U.S., Israel and Iran, the U.S. military action in Venezuela and both the Russia-Ukraine and Hamas-Israel conflicts, and the disruptions to global trade routes, increases to energy and fuel costs, and adverse effect on global economic conditions resulting therefrom;
- 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, 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.

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 of pretax gain on the sale in the fourth quarter of 2024 (See Note 3, *Discontinued Operations*, to the accompanying financial statements).

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.

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 into Class A Ordinary Shares, simplified our capital structure. The extension of the maturities of the Exit Credit Agreement and Escrow LC Facility gave us additional flexibility to grow our business; however, we continue to closely monitor performance risks.

We continue to actively pursue the resolution of our unapproved change order position and liquidated damage exposure with our customers. Although progress on resolving our unapproved change order position has been slower than anticipated, including due to the delays driven by regional instability and logistical disruptions stemming from the Middle East conflict, we have successfully managed our liquidity and remain confident in the recoverability. We also remain focused on managing risks in our supply chain to support continued progress across our project portfolio, including actively managing our vendor base and optimizing our utilization of letter-of-credit capacity. As part of these efforts, we have in the past, and may in the future, work with vendors to extend payment terms in order to preserve operating liquidity.

Should there be a significant further 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 would strain our liquidity position. In addition, our inability to meet our accounts payable obligations in a timely manner, whether as a result of project execution challenges, delays in customer collections, or inability to obtain extended payment terms, as needed, with our vendors and subcontractors, would also negatively impact our liquidity position and limit our working capital flexibility. In response to these risks, management has implemented and is executing plans to improve liquidity through various mechanisms, and if needed, we would expect to have shareholder support.

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 there could be a material impact on our business, financial condition, results of operations, or cash flows.

Trends Affecting Our Business and Industry Conditions

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. Trade policy in 2026 is expected to remain highly dynamic, with continued adjustments to tariff frameworks and related regulatory measures. 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 March 2026, the Organization of the Petroleum Exporting Countries (“OPEC”) stated that its forecast for world oil demand growth in 2026 remains at 1.4 million barrels per day. In addition, OPEC and its partner countries reaffirmed their decision to pause production increases during the first quarter of 2026, maintaining flexibility to adjust output in response to evolving market conditions. Demand for LNG and other sources of energy continues to create demand for new distribution infrastructure, including pipelines, LNG terminals and processing capacity, to support continued 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, competition from new global market entrants, threats of global recession, global supply chain disruptions, tariffs, retaliatory tariffs or other changes in foreign trade policy, and labor disruptions worldwide are impacting growth prospects generally in the energy industry.

While we believe that demand for hydrocarbon resources for both fuel and downstream activities will continue over the near term, we expect continued volatility in oil and natural gas prices throughout 2026, 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 a geopolitical tensions, 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 disruptions, 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 have significant operations and facilities located in the Middle East. Accordingly, political, economic and military conditions in the Middle East and the surrounding region directly affect our business and could materially and adversely affect our business, operations, or personnel. Most recently, on February 28, 2026, the security situation in the Middle East escalated significantly following the commencement of a major military conflict involving the United States, Israel, and Iran. This conflict has resulted in the closure of portions of regional airspace and retaliatory military actions affecting multiple countries in the region where we operate, including Saudi Arabia, the United Arab Emirates, and Qatar. As the conflict has intensified, several countries in the region, including Qatar, have declared force majeure on certain oil, gas, or energy-related operations due to severe disruptions to energy infrastructure and shipping routes. Notably, our customer, QatarEnergy LNG, one of the world’s largest suppliers of LNG, declared force majeure on LNG shipments after halting production at key LNG facilities following operational safety risks.

Such conflict has resulted in, and could continue to result in, supply disruptions, damage to energy infrastructure, increased shipping and insurance costs, delays or rerouting of oil and gas cargos, heightened security risks, and increased volatility in oil and gas prices, all of which could affect our customers, our customers’ ability to make payments timely, if at all, on our existing contracts and our ability to do business with our customers or could cause delays development of our awarded contracts.

We continue to monitor developments in the region closely and assess any potential impact on our operations, which could be material if the conflict continues and intensifies.

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.

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

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

Our RPOs by business segment were as follows:

	December 31, 2025		December 31, 2024	
	(Dollars in millions)		(Dollars in millions)	
Low Carbon Solutions	\$ 8,627	47%	\$ 7,061	40%
Offshore Middle East	7,217	40%	8,207	46%
Subsea and Floating Facilities	2,307	13%	2,478	14%
Total	\$ 18,151	100%	\$ 17,746	100%

Our RPOs increased by approximately \$0.4 billion from December 31, 2024 to December 31, 2025, due to new awards and change orders of approximately \$10.4 billion offset by operating revenues of approximately \$10 billion, recognized during the year ended December 31, 2025.

Our RPOs as of December 31, 2025 include approximately \$149 million associated with unapproved change orders.

As disclosed in Note 8, *Joint Venture and Consortium Arrangements*, to the accompanying financial statements, the previously suspended Mozambique LNG export facility project is fully resumed and will return to full EPC project execution conditions in 2026. As of December 31, 2025, the RPOs associated with the project were approximately \$1.6 billion.

Of the December 31, 2025 RPOs, we expect to recognize revenues as follows:

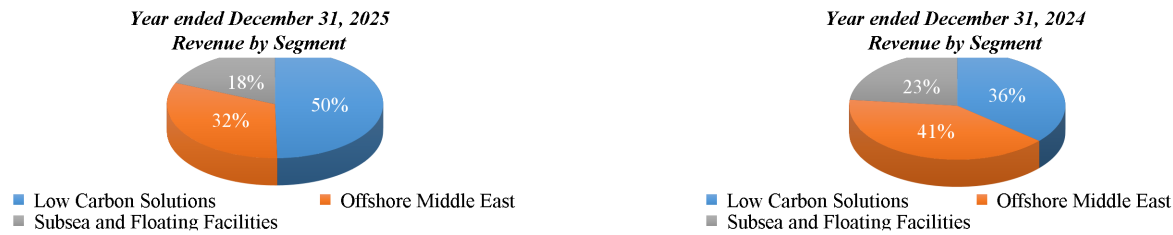
	2026	2027	Thereafter
	(In millions)		
Total RPOs	\$ 7,475	\$ 4,808	\$ 5,868

Loss projects

Our accrual of provisions for estimated losses as of December 31, 2025 and 2024 is included in the "Advance billings on contracts" account and was approximately \$65 million and \$78 million, respectively, and related to loss projects that are approximately 99% complete on a weighted-average basis as of December 31, 2025. Loss provision as of December 31, 2024 included \$26 million accrued in connection with a completed project. This accrual is recoverable under our insurance policy and is classified as a long-term liability within "Other non-current liabilities" on the Balance Sheets as of December 31, 2025.

Year ended December 31, 2025 vs year ended December 31, 2024

Revenue



	Year ended December 31,		Change	
	2025	2024	(In millions)	Percentage
Revenues:				
Low Carbon Solutions	\$ 4,945	\$ 2,981	\$ 1,964	66%
Offshore Middle East	3,165	3,322	(157)	(5%)
Subsea and Floating Facilities	1,845	1,909	(64)	(3%)
Total revenues	\$ 9,955	\$ 8,212	\$ 1,743	21%

Consolidated segment operating revenues increased by 21%, or approximately \$1.7 billion, in 2025 compared to 2024.

Low Carbon Solutions—Revenues increased by 66%, or approximately \$2 billion. The increase was attributable to various ongoing projects, including progress and the impact of the agreement to proceed with the work scope for LNG Trains 2 and 3 on the U.S. LNG export facility project in Sabine Pass, Texas; the full resumption of the previously suspended Mozambique LNG export facility project, both 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 5%, or \$157 million. Revenues in both periods reflected continued progress on several Saudi Aramco projects; the QatarEnergy LNG EPCI projects for topsides, pipelines, and subsea cables; and the North Oil Company EPCI and commissioning projects for satellite wellhead platforms and jackets offshore Qatar, as well as other ongoing projects. Revenues in 2025 also benefited from activity on a newly awarded EPCI project for offshore oilfield development in Abu Dhabi and a QatarEnergy LNG EPCI project for offshore and onshore gas pipelines. These increases were partially offset by lower revenues resulting from the substantial completion of several large projects.

Subsea and Floating Facilities—Revenues decreased by 3%, or \$64 million. The decrease was primarily attributable to the substantial completion of the EPCI, 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 field developments off the southeast coast of Trinidad and Tobago and the southwest coast of Vietnam; progress on the platform and associated infrastructure decommissioning project offshore Western Australia; a jacket construction project for an offshore platform for natural gas development off the coast of Western Australia; and various other projects.

Segment Operating Results

	Year ended December 31,		Change	
	2025	2024	(In millions)	Percentage
	(In millions)			
Operating income (loss):				
Low Carbon Solutions	\$ 227	\$ (41)	\$ 268	654%
Offshore Middle East	87	3	84	2800%
Subsea and Floating Facilities	-	69	(69)	(100%)
Total segment operating income	\$ 314	\$ 31	\$ 283	913%
Corporate and Global Operations	(87)	(183)	96	52%
Total operating income (loss)	<u>\$ 227</u>	<u>\$ (152)</u>	<u>\$ 379</u>	249%

Consolidated operating income was approximately \$227 million in 2025 compared to an operating loss of \$152 million in 2024. Consolidated segment operating results in both periods were impacted by net unfavorable changes in estimates totaling approximately \$228 million and \$312 million, respectively.

Low Carbon Solutions—Segment operating income during 2025 was \$227 million and was driven by progress on a variety of projects, including progress on the U.S. LNG export facility project in Sabine Pass, Texas, following the agreement to proceed with the LNG Trains 2 and 3 work scope, as well as renewable energy HVDC projects in the North Sea offshore Germany. Segment operating loss during 2024 was \$41 million and included the impact of net unfavorable changes of approximately \$135 million, primarily resulting from adjustments recorded for the legal matter discussed under “Chevron Arbitration” in Note 18, *Commitments and Contingencies*, to the accompanying financial statements, the Baystar arbitrations settled in 2024, and cost increases on an onshore oil field development project in the Republic of Uganda, partially offset by activity on other ongoing projects. Segment operating results in both periods were also impacted by selling and tendering costs, amortization of intangible assets, and loss from the investment in an unconsolidated affiliate.

Offshore Middle East—Segment operating income during 2025 and 2024 was \$87 million and \$3 million, respectively, driven by progress on a variety of projects, partially offset by net unfavorable changes in estimates of approximately \$173 million and \$189 million, respectively, resulting from increases in cost estimates due to lower productivity, adverse weather, and other drivers. The increase in segment operating income in 2025 was primarily driven by activity on newly awarded projects. Operating results in both periods were also impacted by selling and tendering costs, amortization of intangible assets, and other charges attributable to the segment.

Subsea and Floating Facilities—Segment operating activity during 2025 and 2024 was driven by progress on a variety of projects, including EPCI, hook-up, and commissioning projects for gas field developments off the southeast coast of Trinidad and Tobago and the southwest coast of Vietnam, as well as EPCI and commissioning of a floating production unit offshore Western Australia and other projects. The deterioration in segment operating results during 2025 compared to 2024 was due to net unfavorable changes of approximately \$59 million, primarily driven by the impacts of final commercial settlements on substantially completed projects, as well as cost increases on an ongoing project resulting from productivity and weather-related conditions. Operating results in both periods were also impacted by selling and tendering costs, amortization of intangible assets, and other charges attributable to the segment, partially offset by income from the investment in an unconsolidated affiliate.

Corporate and Global Operations—Operating results in our Corporate and Global Operations during 2025 were primarily associated with selling, general and administrative (“SG&A”) costs and approximately \$8 million of restructuring costs related to employee severance and lease termination charges. Operating results in 2024 were primarily associated with (1) SG&A costs, which included, among other items, approximately \$51 million related to the change in the carrying value of our Series B Preference Shares (the corresponding impact in 2025 was not material); (2) \$33 million of restructuring costs and \$11 million of transaction costs primarily associated with the amendment of our credit agreements completed in early 2024; and (3) \$9 million impairment loss. Operating results in both 2025 and 2024 were favorably impacted by income from investment in an unconsolidated affiliate.

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

Interest expense, net during 2025 and 2024 was \$158 million and \$222 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. Interest expense for 2024 was higher primarily due to accelerated amortization of deferred costs, associated with the Series A Preferred Shares redeemed in the fourth quarter of 2024.

Other non-operating income/expense, net

Other non-operating expense, net was \$153 million during 2025 and primarily related to (1) \$144 million foreign exchange remeasurement loss primarily associated with our Euro-denominated intercompany balances; and (2) \$3 million non-cash actuarial pension mark to market loss, recognized in the fourth quarter of 2025, and a \$6 million net periodic expense, associated with our defined benefit pension and other postretirement plans, discussed in Note 12, *Pension and Postretirement Benefits*, to the accompanying financial statements.

Other non-operating income, net was \$69 million during 2024 and primarily related to (1) \$54 million foreign exchange remeasurement gain associated with intercompany balances; and (2) \$20 million non-cash actuarial pension mark to market gain, recognized in the fourth quarter of 2024, partially offset by a \$4 million net periodic expense, associated with our defined benefit pension and other postretirement plans.

Income tax expense

During the year ended December 31, 2025, we recognized a loss before provision for income taxes of \$84 million, compared to a loss of \$305 million during the year ended December 31, 2024. The provision for income taxes was \$87 million and \$97 million for the years ended December 31, 2025 and 2024, respectively. The effective tax rate was approximately (104%) for the year ended December 31, 2025 and (32%) for the year ended December 31, 2024.

The negative effective tax rates for the years ended December 31, 2025 and 2024 were driven by a mix of earnings in the higher tax rate jurisdictions, withholding taxes, and no tax benefit was recognized in the loss jurisdictions as a result of the valuation allowance.

Net loss attributable to noncontrolling interests

Net loss attributable to noncontrolling interests was \$11 million during 2024 and was associated with the legal matter discussed under "Chevron Arbitration" in Note 18, *Commitments and Contingencies*, to the accompanying financial statements.

Liquidity and Capital Resources

Cash, Cash Equivalents and Restricted Cash

As of December 31, 2025, we had approximately \$1,081 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 December 31, 2025 was primarily associated with \$45 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 \$41 million of cash collateral under the uncommitted bilateral credit facilities, discussed under “Financing Arrangements” below. Approximately \$140 million and \$31 million of our cash and cash equivalents as of December 31, 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 December 31, 2025, we had approximately \$519 million of cash in jurisdictions outside the United States, principally in Italy, United Arab Emirates, Bermuda, Canada, and the United Kingdom. As of December 31, 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 \$340 million and \$232 million during 2025 and 2024, respectively. 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, resolution of outstanding unapproved change orders 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 \$88 million during 2025, and was primarily related to capital expenditures related to our vessels and fabrication yard and investments in long-term fixed deposits. Net cash provided by investing activities was \$282 million during 2024, and primarily related to \$350 million of net proceeds from the disposal of the CB&I storage solutions segment of our business, discussed in Note 3, *Discontinued Operations*, \$23 million of proceeds from sale of our equity ownership in Lummus Technology Holdings I LLC, partially offset by \$96 million of capital expenditures, associated with fabrication yards, maintenance cost and other assets.

Financing activities—Net cash used by the financing activities during 2025 was \$29 million and primarily related to the principal repayments under the Amazon Financing Facility, discussed under “Financing Arrangements” below. Net cash used by financing activities was \$474 million during 2024, and primarily related to \$330 million repayment of Tanks Term Loan facility (including PIK interest), \$84 million partial repayment of LC Term Loans, \$21 million of principal payments under the Amazon Financing Facility (all discussed under “Financing Arrangements” below), and \$35 million in debt issuance costs.

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").

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 December 31, 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 approximately \$45 million of letters of credit (including \$2 million of interest income), under the Super Senior LC Exit Facility.

As of December 31, 2025 and 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 approximately \$1.5 billion and \$1.8 billion, respectively. The combined capacity under these three facilities will be further reduced 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 December 31, 2025 and 2024, we reflected (1) capitalized issuance costs, within "Other non-current assets", of approximately \$54 million and \$90 million, respectively, which are amortized into interest expense over the term of the amended and extended facilities; (2) capitalized renewal issuance costs, within "Long-term debt", of approximately \$12 million and \$18 million, respectively, which are amortized into interest expense over the amended term of the Term Loan Exit Facility; and (3) expensed approximately \$10 million in fees within "Transaction costs" in our Statement of Operations for the year ended December 31, 2024.

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 Sheets as of December 31, 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 December 31, 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 quarter 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 December 31, 2025.

We were in compliance with the financial covenant requirements as of December 31, 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 financing into the new Amazon Financing (as described below).

On February 19, 2021, our subsidiary, McDermott (Amazon Chartering), Inc. (the “Amazon Borrower”), and MIL, as parent guarantor, entered into a \$285 million ECA-backed term facilities agreement (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 financing, settling a portion of obligations associated with previous McDermott guarantees to the Amazon Owner for two separate interest rate swaps associated with the Amazon, and paying insurance premiums to the ECA to provide insurance coverage to the lenders. As of December 31, 2025, approximately \$170 million was outstanding under the Amazon Financing.

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

Uncommitted Facilities

We are party to a number of short-term uncommitted bilateral credit facilities and surety bond arrangements (the “Uncommitted Facilities”) across several geographic regions. As of December 31, 2025, capacity under the Uncommitted Facilities was approximately \$1.9 billion. The financial institutions that provide the Uncommitted Facilities have no obligation to issue letters of credit or bank guarantees, or to post surety bonds, on our behalf, and they may be able to demand that we provide them with cash or other collateral to backstop these liabilities. As of December 31, 2025, we held approximately \$41 million as cash collateral, under the Uncommitted Facilities, reflected within “Restricted cash and cash equivalents” in our Balance Sheets.

RISK FACTORS

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

Business and Operational Risks

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

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

- prevailing oil and natural gas prices;
- the level of supply and demand for oil and natural gas;
- the ability or willingness of OPEC and the expanded alliance (“OPEC+”) and other high oil exporting non-OPEC+ nations to set and maintain production levels;
- expectations about future prices;
- the cost of, and constraints associated with, exploring for, producing and delivering hydrocarbons;
- the sale and expiration dates of available offshore leases;
- the discovery rate, size and location of new hydrocarbon reserves, including in offshore areas;
- the rate of decline of existing hydrocarbon reserves;
- evolving laws and regulations related to environmental matters, including those addressing pollution, alternative energy sources and the risks of global climate change;
- the development and exploitation of alternative fuels or energy sources;
- shifts in end-customer preferences toward sustainable energy sources, fuel efficiency and the use of natural gas;
- domestic and foreign political, military, regulatory and economic conditions, such as those in Mozambique, Russia, Ukraine, Venezuela and the Middle East;
- disruption to global trade routes and increased energy and fuel costs due to escalating geopolitical tensions in the Middle East, including the recent military conflict between the U.S., Israel and Iran;
- weather conditions, unusual wildfires, natural disasters, and world health events or similar issues;
- technological advances, including technology related to the exploitation of shale oil;
- access to capital;
- increased demand for alternative energy and electric vehicles, including government initiatives to promote the use of sustainable, renewable energy sources and public sentiment around alternatives to oil and natural gas; and
- the ability of oil and gas companies to generate and allocate funds for capital expenditures.

RISK FACTORS

Prices for oil and natural gas have historically been, and we anticipate they will continue to be, extremely volatile and react to changes in the supply of and demand for oil and natural gas (including changes resulting from the ability of OPEC to establish and maintain production quotas), domestic and worldwide economic conditions and political instability in oil producing countries, such as Russia. Material declines in oil and natural gas prices have affected the demand for and pricing of our EPCI services. In response to the historical decline in industry conditions, many oil and gas exploration and development companies and other energy companies have made significant reductions in their capital expenditure budgets in recent years. In particular, some of our customers have reduced their spending on exploration, development and production programs, new LNG import and export facilities and power plant projects. In addition, trends in environmental regulation impacting the LNG industry have fluctuated depending on the relevant administration or jurisdiction. For example, in January 2024, the Biden Administration announced a pause on the permitting of new LNG terminal projects in the United States while the DOE reviews the economic and environmental impacts of LNG exports. However, in January 2025, President Trump issued executive orders directing the heads of federal agencies to (i) facilitate the leasing of domestic energy resources, including on federal lands and (ii) identify and begin the processes to suspend, revise, or rescind all agency actions that impose an undue burden on the identification, development, or use of domestic energy resources. We cannot predict the ultimate duration or impact of such actions. Revisions to the leasing and permitting programs for oil and gas development on federal lands could materially adversely affect our industry and our financial condition and results of operations. Further, sustained lower relative oil prices adversely affected demand for our services, and a future decline in oil prices could, over a sustained period of time, have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

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

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

We offer our customers a range of commercial options for our contracts, including fixed-price, cost-reimbursable and hybrid, which has both fixed-price and cost-reimbursable components. Under fixed-price contracts, we perform our services and execute our projects at an established price. Under cost-reimbursable contracts, we generally perform our services in exchange for a price that consists of reimbursement of all customer-approved costs and a profit component, which is typically a fixed rate per hour, an overall fixed fee, or a percentage of total reimbursable costs. Under cost-reimbursable contracts, if we are unable to obtain proper reimbursement for all costs incurred due to improper estimates, performance issues, customer disputes, or any of the other factors noted below for fixed-price contracts, the project may be less profitable than we expect.

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

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These factors and other risks generally inherent in the industry in which we operate may result in increased revenues or costs from those we originally estimated and may result in reduced profitability or losses on projects or contracts. Some of these risks include:

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

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

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

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

Our RPOs are subject to unexpected adjustments and cancellations.

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

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

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

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

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

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

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

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

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

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

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

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

We depend on a relatively small number of customers.

We derive a significant amount of our revenues and profits from a relatively small number of customers in a given year. Our significant customers include major integrated and national oil and gas exploration and development companies. Our inability to continue to perform substantial services for our large existing customers (whether due to our failure to satisfy their bid tender requirements, disappointing project performance, the adequacy of our sources of liquidity and credit capacity, changing political conditions and changing laws and policies affecting trade and investment, disagreements with respect to new (or potentially new) ventures or other business opportunities), or delays in collecting receivables from these customers, could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations. Additionally, there have been significant business consolidations within the oil and gas industry in recent years. These and any future consolidations may result in our reduced market share and reduced capital spending by our customers which may lead to a lower demand for our products and services.

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

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

Our employees work on projects that are inherently dangerous. If we fail to maintain safe work sites, we may experience workforce or customer injuries and may be exposed to significant financial losses and reputational harm.

Safety is a leading focus of our business, and our safety record is critical to our reputation and is of paramount importance to our employees, customers and stockholders. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public. However, we often work on large-scale and complex projects which can place our employees and others near large, mechanized equipment, moving vehicles, dangerous processes or highly regulated materials and in challenging environments. If we fail to implement effective safety procedures, our employees and others may become injured, disabled or lose their lives, our projects may be delayed and we may be exposed to litigation or investigations.

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

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

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

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

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

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

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

Conditions in the Middle East, including current uncertainty and instability resulting from the conflict between the United States, Israel and Iran, as well as other regional hostilities could adversely affect our business.

We have significant operations and facilities located in the Middle East. Accordingly, political, economic and military conditions in the Middle East and the surrounding region directly affect our business and could materially and adversely affect our business, operations, or personnel. Most recently, on February 28, 2026, the security situation escalated significantly with the commencement of a major military conflict involving the United States, Israel and Iran. This situation led to the closure of regional airspace and retaliatory strikes impacting multiple nations in the Middle East where we operate, including Saudi Arabia, the UAE and Qatar.

RISK FACTORS

Such conflict has resulted in, and could continue to result in, supply disruptions, damage to energy infrastructure, increased shipping and insurance costs, delays or rerouting of oil and gas cargos, heightened security risks, and increased volatility in oil and gas prices, all of which could affect our customers, our customers' ability to make payments timely, if at all, on our existing contracts and our ability to do business with our customers or could cause delays development of our awarded contracts.

The intensity and duration of this active conflict are difficult to predict. The conflict is rapidly evolving and developing and it is not possible to predict its long-term consequences on us, our customers or the oil and gas industry as a whole. Any escalation and expansion of this conflict could have a negative impact on both global and regional conditions and may adversely affect our business, financial condition and results of operations.

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

We derive substantial revenues from international operations. Our international operations accounted for 72% and 79% of our revenues in 2025 and 2024, respectively. Our international operations are subject to political, economic and other uncertainties. These include:

- risks of war, terrorism, piracy and civil unrest, such as the situation in Mozambique, described in this report, the recent the recent military escalation between the U.S., Israel, and Iran, the U.S. military action in Venezuela and both the Russia-Ukraine and Hamas-Israel conflicts;
- public health crises, severe influenza and other highly communicable viruses or diseases, that could limit access to our facilities or offices or those of our customers, subcontractors or suppliers, impose travel restrictions on our personnel or otherwise adversely affect our operations or demand for our services;
- expropriation, confiscation or nationalization of our assets;
- renegotiation or nullification of our existing contracts;
- abrupt changes in government policies, laws, regulations, executive orders, spending allocations, or treaties, including imposition of export, import, or doing-business regulations, trade sanctions, embargoes or other trade restrictions (such as sanctions and other restrictions imposed against Russia in response to the Russia-Ukraine conflict, those against China to mitigate the potential U.S. national security concerns related to critical infrastructure and technology), as well as tariffs, trade disputes and trade measures that may increase the cost of goods, limit the availability of key materials, or otherwise disrupt supply chains, pricing, and demand;
- increased costs, lower revenues and RPOs and decreased liquidity resulting from a full or partial break-up of the European Union ("EU") or its currency, the Euro;
- the lack of well-developed legal systems in some countries in which we make capital investments, operate or provide services, which could make it difficult to enforce our rights;
- overlap of multiple tax regimes or other adverse tax policies;
- macroeconomic factors, including rising interest rates, global inflationary pressures and potential recessionary concerns;
- risk of changes in currency exchange rates, currency devaluations and currency exchange restrictions that limit our ability to convert local currencies into U.S. dollars; and
- risks associated with the assertion of national sovereignty over areas in which our operations are conducted.

We also may be particularly susceptible to regional conditions that may adversely affect our operations. Our major marine construction vessels typically require relatively long periods of time to mobilize over long distances, which could affect our ability to withdraw them from areas of conflict. Additionally, certain of our fabrication facilities are located in regions where conflicts may occur and limit or disrupt our operations. Certain of our insurance coverages could also be cancelled by our insurers. The impacts of these risks are very difficult to mitigate or insure against on a cost-effective basis and, in the event of a significant event impacting the operations of one or more of our fabrication facilities, we will very likely be unable to easily replicate the fabrication capacity needed to meet existing contractual commitments, given the time and cost involved in doing so. Any failure by us to meet our material contractual commitments could give rise to loss of revenues, claims by customers and loss of future business opportunities, which could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

RISK FACTORS

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

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

Changes in trade policy and uncertainties related to tariffs could adversely affect our business.

Tariffs imposed by the United States and retaliatory measures from other countries have and may continue to lead to higher prices for, or reduced availability of, raw materials and finished goods, making products less attractive to customers and potentially reducing demand. Further, these actions have and may continue to create uncertainty in financial markets, impact capital spending, and result in operational disruptions, inflation, and diminished profitability. The unpredictable nature of tariff changes and trade restrictions makes it difficult to anticipate and mitigate risks, which could materially affect our business operations, financial condition, and results of operations. While they created some degree of margin dilution, tariffs did not have a material impact on the Company during the year ended December 31, 2025.

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

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

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

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

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

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

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

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

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

Legal, Contractual and Regulatory Risks

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

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

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

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

RISK FACTORS

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

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

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

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

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

RISK FACTORS

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

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

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

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

Additionally, on July 4, 2025, U.S. tax legislation known as the One Big Beautiful Bill Act (the “OBBBA”) was signed into law. The OBBBA makes permanent many of the tax provisions enacted in 2017 as part of the Tax Cuts and Jobs Act that were set to expire at the end of 2025. Further, the OBBBA adopted a higher EBITDA-based business interest expense limitation, and as a result, we expect the passage of the OBBBA will now allow it to deduct significantly more of its interest expense than under prior law; however, due to our tax profile in the U.S. we do not anticipate significant impact from these provisions. We will continue to monitor future developments, including regulatory guidance and interpretations, which could have a material impact on our business, financial condition and results of operations.

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

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

RISK FACTORS

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

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

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

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

There is increasing attention in the United States and worldwide concerning the issue of climate change and the effect of GHGs and other sustainability and energy transition matters. This increased attention may result in new environmental laws or regulations that may unfavorably impact us, our suppliers and our customers. For example, because of concerns that carbon dioxide, methane and certain other greenhouse gases in the Earth’s atmosphere may produce climate changes that have significant adverse impacts on public health and the environment, various governmental authorities have adopted and are continuing to consider the adoption of laws and regulatory strategies and controls designed to reduce the emission of GHGs, including the imposition of GHG emission fees, and enhance disclosure of information related to GHGs, which adoption in areas where we conduct business could require us or our customers to incur added costs to comply, result in delays or adversely affect demand for the oil and natural gas that some of our customers produce, thereby potentially limiting the demand for our services. Laws and regulations in some jurisdictions, for example in the EU Corporate Sustainability Reporting Directive (“CSRD”) and the California Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act, impose obligations in future years to report GHG emissions. Calculation of some GHG emissions can involve uncertainty and lack precision because of the absence of reliable inputs or methods to perform such calculations. Accordingly, the EU CSRD and California regulations and other similar regulations give rise to litigation risk concerning the required disclosures. The efforts we have taken, and may undertake in the future, to respond to these evolving or new regulations and to requests from customers, investors, and others related to their own compliance efforts with such regulations, may result in additional legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place strain on our personnel, systems and resources.

The landscape continues to be in a state of constant re-assessment and legal challenge with respect to governmental actions, making it difficult to predict with certainty the ultimate impact they will have on our customers and us.

RISK FACTORS

Our failure to comply with existing or new environmental, health and safety requirements may result in the assessment of administrative, civil and criminal penalties, the revocation or denial of permits, the imposition of investigatory or remedial obligations or the issuance of orders enjoining performance of some or all of our operations, any or all of which could adversely affect our relationships with our customers and other parties with whom we do business, including our lenders and prospective providers of capital. In some cases, these requirements can impose liability for the entire cost of cleanup on any responsible party without regard to negligence or fault and impose liability on us for the conduct of others or conditions others have caused, or for our acts that complied with all applicable requirements when we performed them. Our compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements or the future discovery of contamination may require us to make material expenditures or subject us to unanticipated liabilities. We are also exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving pollutants, wastes or hazardous or other substances. Any such expenditures or liabilities could adversely impact our access to capital and could otherwise have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

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

Climate change could also increase the frequency and severity of adverse weather conditions, including acute events, such as hurricanes, typhoons, cyclones, wildfires, winter storms and rough seas, and chronic environmental changes, such as rising sea levels and temperatures. If such effects were to occur, they could have an adverse impact on our operations. For example, a catastrophic natural disaster could negatively impact any of our office locations and our project locations. Access to clean water and reliable energy in the communities where we conduct our business is critical to our operations. Accordingly, a natural disaster has the potential to disrupt our and our customers’ businesses and may cause us to experience work stoppages, supply chain disruptions, project delays, financial losses and additional costs to resume operations, including increased insurance costs or loss of cover, legal liability and reputational losses. We may incur liabilities that may not be covered by insurance policies, or, if covered, the financial amount of such liabilities may exceed our policy limits or may fall within applicable deductible or retention limits. A partially or completely uninsured claim, if successful and of significant magnitude, could cause us to suffer a significant loss and reduce cash available for our operations.

Certain environmental laws and regulations also impose strict joint and several liability for contamination or releases of hazardous substances or petroleum on former and current owners and operators of real property and in connection with third-party sites where parties have disposed wastes. These environmental laws can impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused the contamination or release. The liability under these laws has been interpreted to be strict, joint and several unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. 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.

RISK FACTORS

Increasing scrutiny and expectations regarding ESG and sustainability matters could expose us to additional costs or risks or otherwise adversely affect our business.

Companies across all industries are subject to increasing scrutiny from stakeholders related to their ESG and sustainability practices. Failure or a perception (whether or not valid) of failure to implement our ESG strategy or achieve sustainability goals and targets we have set could damage our reputation, causing our investors or other stakeholders to lose confidence in our company, and negatively impact our operations. There can be no assurance that we will be able to accomplish any announced goals, initiatives, commitments or objectives related to our ESG strategy, as statements regarding the same reflect our current plans and aspirations and are not guarantees that we will be able to achieve them within the timelines we announce, or at all. We may determine in our discretion that it is not feasible or practical to implement or complete certain of our ESG goals, initiatives, policies or procedures based on cost, timing or other considerations. Our continuing efforts to research, establish, accomplish and accurately report on the implementation of our ESG strategy, including any related goals and targets, may also create additional operational risks and expenses and expose us to reputational, legal and other risks. The increasing attention and pressure from the shareholders, financial institutions and/or financial markets could also increase the likelihood of governmental investigations and private litigation. Moreover, while we create and publish voluntary disclosures regarding ESG and sustainability matters from time to time, some of the statements in those voluntary disclosures may be based on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring and reporting on many ESG matters.

Additionally, certain market participants, including major institutional investors and capital providers, use third-party benchmarks and scores to assess companies' ESG profiles in making investment or voting decisions. Unfavorable ESG ratings could lead to increased negative investor sentiment towards us or our industry, which could negatively impact our access to and cost of capital. To the extent ESG matters negatively impact our reputation, they may also impede our ability to compete as effectively to attract and retain employees or customers, which may adversely impact our business.

Simultaneously, there are efforts by some stakeholders to reduce companies' efforts on certain ESG- and sustainability-related matters. Both advocates and opponents to certain ESG and sustainability matters are increasingly resorting to a range of activism forms, including media campaigns and litigation, to advance their perspectives. If we do not successfully manage expectations across these varied stakeholder interests, it could erode our stakeholder trust and thereby affect our brand and reputation. Such erosion of confidence could negatively impact our business through decreased demand and growth opportunities, delays in projects, increased legal action and regulatory oversight, adverse press coverage and other adverse public statements, difficulty hiring and retaining top talent, difficulty obtaining necessary approvals and permits from governments and regulatory agencies on a timely basis and on acceptable terms and difficulty securing investors and access to capital. Our customers and suppliers may be subject to similar risks, which may also result in augmented or additional risks.

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

Risks Related to Our Liquidity and Capital Resources and Financial Markets

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

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

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

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

Volatility and uncertainty of the global economy may negatively impact us or increase the cost of borrowing.

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

The condition of the capital markets and equity markets in general may affect our ability to obtain financing, if necessary. Although the Board of Governors of the Federal Reserve System cut interest rates in each of September, October and December 2025, further cuts are uncertain. Actions by the Board of Governors of the Federal Reserve System to raise interest rates could result in increased borrowing costs or make the cost of borrowing funds commercially unattractive. Furthermore, if our credit rating is downgraded, it could increase borrowing costs under credit facilities and issuances of commercial paper, as well as increase the cost of renewing or obtaining, or make it more difficult to renew, obtain, or issue new debt financing.

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

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

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

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

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

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

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

Foreign currency exchange rate fluctuations may affect our profitability on certain projects.

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

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

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

Risks Related to Intellectual Property, Information Technology and Data Privacy

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

Our success depends, in part, on our ability to protect our proprietary information and other intellectual property. It could be possible for unauthorized third parties to infringe, misappropriate or otherwise violate our intellectual property rights or steal, or misappropriate, copy, disclose or reverse engineer our proprietary information. Our intellectual property could also be challenged, invalidated, circumvented or rendered unenforceable. In addition, effective intellectual property protection may be limited or unavailable in some foreign countries where we operate.

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Our failure to protect our intellectual property rights may result in the loss of valuable technologies or adversely affect our competitive business position. We rely significantly on proprietary technology, information, processes and know-how that are not subject to patent or copyright protection. We seek to protect this information through trade secret or confidentiality agreements with our employees, consultants, subcontractors or other parties, as well as through other security measures. These agreements and security measures may be inadequate to deter or prevent misappropriation of our confidential information. In addition, our ability to monitor and control theft, misappropriation or infringement is uncertain, particularly in countries outside of the United States as the laws of some countries do not provide the same level of protection of our proprietary information as do the laws of the United States. In the event of an infringement of our intellectual property rights, a breach of a confidentiality agreement or divulgence of proprietary or confidential information, we may not have adequate legal remedies to protect our intellectual property or other proprietary and confidential information. Litigation to determine the scope of our legal rights, even if ultimately successful, could be costly and could divert management's attention away from other aspects of our business. In addition, our trade secrets may otherwise become known or be independently developed by competitors. If we cannot protect our intellectual property from infringement and our proprietary source code against unauthorized theft, copying, disclosure or use, we could lose market share, including as a result of unauthorized third parties' development of solutions and technologies similar to or better than ours.

Some of our intellectual property is protected by patents. The scope of our patent protection may be affected by changes in legal precedent and patent office interpretation of these precedents. Any patents owned by us could be invalidated, circumvented or challenged. Any of our pending or future patent applications, whether or not being currently challenged, may not be issued with the scope of protection we seek, if at all; and if issued, may not provide any meaningful protection or competitive advantage.

In some instances, we have augmented our technology base by licensing the proprietary intellectual property of third parties. In the future, we may not be able to obtain necessary licenses on commercially reasonable terms, which could adversely affect our business. We may depend on such third parties to enforce and protect intellectual property rights that we may license, and such third parties may refuse to enforce and protect such intellectual property rights. Further, if we resort to legal proceedings to enforce our intellectual property rights (such as initiating infringement lawsuit against a third party), the results of such proceedings, regardless of merit, are uncertain and our success cannot be assured. Even if we were to prevail, the proceedings could be burdensome and expensive. Any litigation that may be necessary in the future could result in substantial costs and diversion of resources and could have a material adverse effect on our business, cash flows, liquidity, financial condition and results of operations.

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

In order to achieve our business objectives, we rely heavily on IT and OT systems, along with other technologies and related personnel that implement and maintain such systems, including systems that collect, process, organize, store, or use personal information, confidential information, and other sensitive information about our customers, employees, suppliers, and others. Some of these systems are managed or provided by third-party service providers, including certain cloud platform or cloud software providers. Unauthorized parties may attempt to misappropriate, alter, disclose, delete or otherwise compromise our confidential information or that of our employees, partners, third-party service providers, customers or their end users, create system disruptions, product or service vulnerabilities or cause shutdowns. These unauthorized parties are becoming increasingly sophisticated, particularly those funded by or acting as formal or informal representatives of, or acting in conjunction with, nation states. Perpetrators of cyberattacks also may be able to develop and deploy viruses, worms, malware and other malicious software programs that directly or indirectly attack our products, services, infrastructure (including third-party cloud service providers upon which we rely), third-party software and applications that we deploy in our internal network. Because techniques used by these perpetrators to sabotage or obtain unauthorized access to our systems change frequently and sometimes are not recognized until long after being launched against a target, because cyberattacks can originate from a wide variety of sources and through a wide variety of methods, and because the full scope of a cyberattack may not be realized until an investigation has been completed, we may be unable to anticipate the techniques used or to implement adequate preventative or response measures. The sophistication of cybersecurity threats, including those leveraging artificial intelligence, continues to increase, and the controls and preventative actions we take to reduce the risk of cybersecurity incidents and protect our systems may be insufficient. In addition, new technology that could result in greater operational efficiency, such as our use of artificial intelligence, may further expose our IT or OT systems to the risk of cybersecurity incidents, but these solutions may take significant time and resources to deploy broadly, and such measures may not be deployed in a timely manner or be effective against an attack. Despite our efforts to build secure services, we can make no assurance that we will be able to detect, prevent, timely and adequately address, or mitigate the negative effects of cyberattacks or other security compromises. As a result, our business operations could be negatively impacted by a breach or interruption of systems we rely on that originates from, or compromises, third-party networks or devices outside of our control.

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

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

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

Finally, laws and regulations we may be subject to governing cybersecurity, such as forthcoming obligations under the Cyber Incident Reporting for Critical Infrastructure Act of 2022, pose increasingly complex compliance challenges, and failure to comply with these laws could result in penalties and legal liability and/or significant cost in our efforts toward maintaining compliance.

We may use artificial intelligence, machine learning, data science and similar technologies in our business, and challenges with properly managing such technologies could result in reputational harm, competitive harm, and legal liability, which may adversely affect our business, financial condition and results of operations.

Certain of our business process and solutions may utilize, or may in the future utilize, artificial intelligence, machine learning, data science and similar technologies (collectively, "AI"), including third-party AI tools. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, which could adversely affect our business. AI algorithms may be flawed or biased. Datasets used to train or develop AI systems may be insufficient, of inferior quality, or contain biased information. The introduction and incorporation of AI technologies may result in unintended consequences or other new or expanded risks and liabilities, such as unintended or inadvertent transmission of proprietary or sensitive information. Additionally, if the content, analyses or recommendations that AI applications assist in producing are, or are alleged to be, deficient, inaccurate or biased, due to limitations in AI algorithms, insufficient or biased base data or flawed training methodologies, our business, financial condition, results of operations and reputation may be adversely affected. Further, AI technology is continuously evolving, and the Company may incur costs to adopt and deploy AI technologies that could become obsolete earlier than expected, and there can be no assurance that the Company will realize the desired or anticipated benefits from AI.

Additionally, there is uncertainty in the legal and regulatory landscape for AI, which is not fully developed, and any laws, regulations or industry standards adopted in response to the emergence of AI may be burdensome, could entail significant costs, and may restrict or impede our ability to successfully develop, adopt and deploy AI technologies efficiently and effectively.

The safeguards we have implemented, including policies and procedures, governance reviews, technical measures where feasible, and contractual obligations relating to the ethical use of AI, may not be adequate or effective, and we cannot guarantee or control how third parties with whom we do business may utilize AI, which may increase our risk and exposure relating to confidentiality and information security and information accuracy. If a breach of confidentiality or error or defect were to occur as a result of using AI, directly or indirectly, it could adversely affect our business, reputation, financial condition and results of operations.

Our competitors may incorporate AI into their product and service offerings more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our business, financial condition and results of operations. In addition, technological advancements in the industry, including with respect to AI, could result in increased demand and competition for qualified professionals with such skills and technological knowledge. There can be no assurance that we will be successful in finding, attracting and retaining such qualified individuals.

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

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

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

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

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

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

We may pursue additional growth through joint ventures, alliances and consortia with other parties as well as the acquisition of businesses or assets that we believe will enable us to strengthen or broaden the types of projects we execute and also expand into new businesses and regions. We may be unable to continue this growth strategy if we cannot identify suitable acquisition targets or joint venture, alliance or consortium participants, businesses or assets, reach agreement on acceptable terms or for other reasons. We cannot provide any assurance that we will achieve the desired results from such acquisitions. We may experience difficulties completing acquisitions or integrating new businesses and properties, and we may be unable to achieve the expected benefits from future acquisitions or joint ventures. We may also be limited in our ability to pursue acquisitions or joint ventures by the terms and conditions of our current financing arrangements. Any acquired businesses or assets or joint ventures will be subject to many of the same risks as our existing businesses and may not achieve the levels of performance that we anticipate. Moreover, joint ventures, alliances and consortia and acquisitions of businesses and assets involve certain risks, including:

- difficulties relating to the assimilation of personnel, services and systems of an acquired business and the assimilation of marketing and other operational capabilities;
- challenges resulting from unanticipated changes in customer, supplier or subcontractor relationships subsequent to an acquisition or joint venture, alliance or consortium formation;
- additional financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls;
- assumption of liabilities of an acquired business or a co-venturer, including liabilities that were unknown at the time the acquisition transaction was negotiated and joint and several liability for failures in performance by our co-venturers;
- diversion of management's attention from day-to-day operations;

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- failure to realize anticipated benefits, such as cost savings and revenue enhancements;
- potentially substantial transaction costs associated with business combinations; and
- potential impairment of goodwill or other intangible assets resulting from the overpayment for an acquisition.

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

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

General Risks

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

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

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

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

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

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

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

Public health crises, pandemics and epidemics, such as the COVID-19 pandemic, could materially adversely affect our business, cash flows, liquidity, financial condition and results of operations. Such events have had and could again have widespread adverse impacts on the global economy, many of our facilities and on our employees, customers and suppliers. These and similar events have caused and may again cause supply chain constraints and disruptions and workforce availability issues as well.

Risks Related to our Ordinary Shares

There is a lack of a liquid market for and information about our securities.

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

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

In the future, we may issue additional equity securities or securities convertible into or exchangeable for equity securities for capital raising purposes, in connection with hiring or retaining employees, to fund acquisitions, or for other business purposes. In addition, we issued and have outstanding 75,000 Series B Redeemable Preference Shares that are convertible into Class B Ordinary Shares representing 19.9% of our Ordinary Shares. On December 19, 2024, we completed the redemption and exchange of all outstanding Series A Preference Shares into Class A Ordinary Shares, pursuant to which the outstanding Series A Preference Shares were redeemed or exchanged for approximately 2,896 million Class A Ordinary Shares (or approximately 23 million Class A Ordinary Shares after giving effect to the share consolidation). We may issue additional series of preference shares in the future which may be convertible into or exchangeable for Ordinary Shares. The future issuance of additional Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares will dilute the ownership interests of our current holders and may create downward pressure on the value of our Ordinary Shares. In addition, the potential for the issuance of a significant amount of our Ordinary Shares pursuant to the Preference Shares could create a circumstance commonly referred to as an “overhang” and in anticipation of which the market price of our Ordinary Shares could fall. The existence of an overhang, whether or not sales have occurred or are occurring, could also hinder our ability to raise additional equity capital at a time and price that we deem reasonable or appropriate.