QUARTERLY REPORT

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the quarterly period ended March 31, 2026

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 May 15, 2026 was 28,534,929.

McDERMOTT INTERNATIONAL, LTD

Consolidated Financial Statements 2
Consolidated Statements of Operations 2
Consolidated Statements of Comprehensive Income (Loss) 3
Consolidated Balance Sheets 4
Consolidated Statements of Cash Flows 5
Consolidated Statements of Stockholders' Equity 6
Notes to Consolidated Financial Statements 7
Management's Discussion and Analysis of Financial Condition and Results of Operations 28
Risk Factors 41

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31,	
	2026	2025
	(In millions)	
Revenues	$ 2,361	$ 2,133
Costs and expenses:		
Cost of revenue	2,228	2,065
Selling, general and administrative expenses	68	45
Intangible assets amortization	14	14
Research and development expenses	1	1
Restructuring costs	-	2
Transaction costs	-	1
Gain on disposal of other assets and investments, net	(1)	-
Total expenses	2,310	2,128
Income from investments in unconsolidated affiliates	3	9
Operating income	54	14
Other (expense) income:		
Interest expense, net	(41)	(41)
Other non-operating income (expense) , net	13	(52)
Total other expense, net	(28)	(93)
Income (loss) before provision for income taxes	26	(79)
Income tax expense	37	28
Net loss	$ (11)	$ (107)

See accompanying Notes to these Consolidated Financial Statements.

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

	Three months ended March 31,	
	2026	2025
	(In millions)	
Net loss	$ (11)	$ (107)
Other comprehensive (loss) income, net of tax:		
Gain (loss) on derivatives	(18)	18
Foreign currency translation	(3)	14
Comprehensive loss	$ (32)	$ (75)

See accompanying Notes to these Consolidated Financial Statements.

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED BALANCE SHEETS

	March 31, 2026 (Unaudited)	December 31, 2025
	(In millions, except per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents ($170 and $140 related to variable interest entities ("VIEs"))	$ 815	$ 962
Restricted cash and cash equivalents	124	119
Accounts receivable—trade, net ($17 and $20 related to VIEs)	1,046	1,142
Accounts receivable—other ($2 and $0 related to VIEs)	163	162
Contracts in progress ($39 and $62 related to VIEs)	2,315	2,127
Other current assets ($89 and $88 related to VIEs)	418	413
Total current assets	4,881	4,925
Property, plant and equipment, net	1,017	1,023
Operating lease right-of-use assets	270	294
Accounts receivable—long-term retainages	84	79
Investments in unconsolidated affiliates	188	184
Intangible assets, net	204	218
Other non-current assets	292	316
Total assets	$ 6,936	$ 7,039
Liabilities and Stockholders' Equity		
Current liabilities:		
Operating lease obligations	$ 142	$ 152
Current portion of long-term debt	20	20
Accounts payable ($13 and $54 related to VIEs)	1,938	1,924
Advance billings on contracts ($123 and $143 related to VIEs)	2,032	1,995
Accrued liabilities ($166 and $100 related to VIEs)	1,889	1,978
Total current liabilities	6,021	6,069
Long-term debt	843	839
Long-term operating lease obligations	146	157
Deferred income taxes	61	65
Series B Preference Shares	133	117
Other non-current liabilities	419	450
Total liabilities	7,623	7,697
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Ordinary shares, par value $0.125 per share; issued 28.5 and 28.5 shares	4	4
Capital in excess of par value	2,898	2,895
Accumulated deficit	(3,530)	(3,519)
Accumulated other comprehensive (loss) income ("AOCI")	(60)	(39)
Total McDermott stockholders' equity	(688)	(659)
Noncontrolling interest	1	1
Total stockholders' equity	(687)	(658)
Total liabilities and stockholders' equity	$ 6,936	$ 7,039

See accompanying Notes to these Consolidated Financial Statements.

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

	Three months ended March 31,	
	2026	2025
	(In millions)	
Cash flows from operating activities:		
Net loss	$ (11)	$ (107)
Adjustments to reconcile net loss to cash flows from operating activities:		
Depreciation and amortization	38	33
Debt issuance cost amortization and debt discount accretion	18	18
Gain on disposal of other assets and investments, net	(1)	-
Series B Preference Shares remeasurement	16	7
Other non-cash items	(2)	(9)
Changes in operating assets and liabilities:		
Accounts receivable	91	(214)
Contracts in progress, net of advance billings on contracts	(151)	(201)
Accounts payable	14	267
Other current and non-current assets	9	17
Other current and non-current liabilities	(147)	137
Total cash used in operating activities	$ (126)	$ (52)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(9)	(24)
Total cash used in investing activities	$ (9)	$ (24)
Cash flows from financing activities:		
Amazon financing	(5)	(5)
Other	(2)	-
Total cash used in financing activities	$ (7)	$ (5)
Net decrease in cash, cash equivalents and restricted cash	(142)	(81)
Cash, cash equivalents and restricted cash at beginning of period	1,081	858
Cash, cash equivalents and restricted cash at end of period	939	777

See accompanying Notes to these Consolidated Financial Statements.

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

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Deficit	AOCI	Stockholders' Equity	NCI	Total Equity
				(In millions)			
Balance at December 31, 2024	$ 4	$ 2,884	$ (3,351)	$ (139)	$ (602)	$ (13)	$ (615)
Net loss	-	-	(107)	-	(107)	-	(107)
Other comprehensive gain, net of tax	-	-	-	32	32	-	32
Stock compensation expense	-	1	-	-	1	-	1
Balance at March 31, 2025	$ 4	$ 2,885	$ (3,458)	$ (107)	$ (676)	$ (13)	$ (689)
Balance at December 31, 2025	$ 4	$ 2,895	$ (3,519)	$ (39)	$ (659)	$ 1	$ (658)
Net loss	-	-	(11)	-	(11)	-	(11)
Other comprehensive loss, net of tax	-	-	-	(21)	(21)	-	(21)
Stock compensation expense	-	3	-	-	3	-	3
Balance at March 31, 2026	$ 4	$ 2,898	$ (3,530)	$ (60)	$ (688)	$ 1	$ (687)

See accompanying Notes to these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Operations and Organization 8
Note 2—Basis of Presentation and Recent Accounting Guidance 8
Note 3—Revenue Recognition 9
Note 4—Project Changes in Estimates 11
Note 5—Accounts Receivable—Trade, net 11
Note 6—Intangible Assets 12
Note 7—Joint Venture and Consortium Arrangements 12
Note 8—Debt 14
Note 9—Accrued Liabilities 17
Note 10—Pension and Postretirement Benefits 17
Note 11—Fair Value Measurements 18
Note 12—Derivative Financial Instruments 19
Note 13—Income Taxes 20
Note 14—Stockholders' Equity and Equity-Based Incentive Plans 20
Note 15—Redeemable Preference Shares 21
Note 16—Commitments and Contingencies 22
Note 17—Segment Reporting 25
Note 18—Subsequent Events 27

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.

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.

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 AND RECENT ACCOUNTING GUIDANCE

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to interim financial information and, therefore, do not include all information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be achieved for the full 2026 fiscal year.

The accompanying consolidated financial statements and related notes have been prepared in accordance with the accounting policies described in our Annual Report for the year ended December 31, 2025 (the “Annual Report”), a copy of which is available on our website at www.mcdermott.com/investors, and should be read in conjunction with the audited consolidated financial statements and related notes included therein.

Intercompany balances and transactions are eliminated in consolidation. Amounts presented in the accompanying tables (except per share data) are stated in millions and may not sum due to rounding.

Use of Estimates and Judgments

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

- revenue recognition for our contracts, including estimating costs to complete each contract and the recognition and assessment of recoverability 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.

Recent accounting guidance

In December 2025, the Financial Accounting Standards Board ("FASB") issued ASU 2025-11*, Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies the guidance in Topic 270 to improve the consistency of interim financial reporting. The ASU provides a comprehensive list of required interim disclosures and introduces a disclosure principle requiring entities to disclose events since the end of the last annual reporting period that have a material impact on the entity. ASU 2025-11 is effective for interim periods beginning after December 15, 2027. We are currently evaluating the effect that adoption of ASU 2025-11 will have on our disclosures.

In November 2024, the FASB 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—REVENUE RECOGNITION

Remaining Performance Obligations ("RPOs")

Our RPOs, by segment, were as follows:

	March 31, 2026 (Dollars in millions)		December 31, 2025 (Dollars in millions)	
Low Carbon Solutions	$ 8,893	51%	$ 8,627	47%
Offshore Middle East	6,700	38%	7,217	40%
Subsea and Floating Facilities	1,969	11%	2,307	13%
Total	$ 17,562	100%	$ 18,151	100%

Our RPOs decreased by approximately $0.6 billion from December 31, 2025 to March 31, 2026, due to new awards and change orders of approximately $1.8 billion, offset by operating revenues of approximately $2.4 billion, in each case recognized during the three months ended March 31, 2026.

Of the March 31, 2026 RPOs, we expect to recognize revenues as follows:

	2026	2027	Thereafter
		(In millions)	
Total RPOs	$ 5,367	$ 5,768	$ 6,427

Revenue Disaggregation

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

	Three months ended March 31,	
	2026	2025
	(In millions)	
Revenues by contract type:		
Fixed price	$ 979	$ 1,115
Hybrid	833	622
Cost-reimbursable	548	395
Unit-basis and other	1	1
	$ 2,361	$ 2,133
Revenues by recognition methodology:		
Over time	$ 2,360	$ 2,132
At a point in time	1	1
	$ 2,361	$ 2,133

Revenue recognition

Unapproved Change Orders—As of March 31, 2026, we had unapproved change orders included in transaction prices for our projects aggregating to approximately $1,562 million, of which approximately $145 million was included in our RPO balance. Our unapproved change orders totaled $278 million for our Low Carbon Solutions segment, $1,083 million for our Offshore Middle East segment, and $201 million for our Subsea and Floating Facilities segment.

The net increase to our unapproved change orders during the three months ended March 31, 2026 totaled $169 million and included approximately (1) $30 million in net additions in our Low Carbon Solutions segment, (2) $30 million in net additions in our Subsea and Floating Facilities segment, and (3) $109 million in net additions in our Offshore Middle East segment, partially attributable to geopolitical conditions in the Middle East.

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 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 March 31, 2026 and December 31, 2025, we had incentives included in transaction prices for our projects aggregating to approximately $105 million and $105 million, respectively, primarily within our Offshore Middle East segment, of which approximately $5 million and $8 million, respectively, were included in our RPO balance.

Loss projects—Our accrual of provisions for estimated losses as of March 31, 2026 and December 31, 2025 is included in the "Advance billings on contracts" account and was approximately $52 million and $65 million, respectively, and related to loss projects that are approximately 92% complete on a weighted-average basis as of March 31, 2026.

Other—Revenue recognized during the three months ended March 31, 2026 attributable to Advance billings on contracts balance outstanding as of December 31, 2025, was approximately $555 million. Revenue recognized during the three months ended March 31, 2025 attributable to Advance billings on contracts balance outstanding as of December 31, 2024, was approximately $657 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 March 31, 2026 and December 31, 2025, we determined that we had approximately $618 million and $576 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 March 31, 2026 and December 31, 2025 was $3 million for both periods. 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 4—PROJECT CHANGES IN ESTIMATES

Three months ended March 31, 2026

Segment operating results for the three months ended March 31, 2026 were impacted by net unfavorable changes in estimates of approximately (1) $2 million in our Low Carbon Solutions segment; and (2) $25 million in our Offshore Middle East segment. These changes were partially offset by net improvements of $7 million in our Subsea and Floating Facilities segment. Our operating results for the three months ended March 31, 2026 were not materially affected by the conflict in the Middle East, primarily due to the recognition of unapproved change orders, as discussed in Note 3, *Revenue Recognition*. However, the continuation or escalation of this conflict could have a material adverse effect on our operations in future periods.

Three months ended March 31, 2025

Segment operating results for the three months ended March 31, 2025 were impacted by net unfavorable changes in estimates on various projects of approximately (1) $18 million in our Low Carbon Solutions segment; and (2) $49 million in our Offshore Middle East segment. These changes were partially offset by net improvements of $10 million in our Subsea and Floating Facilities segment.

NOTE 5—ACCOUNTS RECEIVABLE—TRADE, NET

The trade receivable balances included the following:

	March 31, 2026	December 31, 2025
	(In millions)	
Contract receivables	410	$ 492
Unbilled receivables [(1)]	467	441
Retainages [(2)]	188	228
Less allowances	(19)	(19)
Accounts receivable—trade, net	$ 1,046	$ 1,142

(1) Unbilled receivables classified within Accounts receivable—trade, net represent our unconditional right to payment associated with 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.

NOTE 6—INTANGIBLE ASSETS

The components of intangible assets were as follows:

	Weighted Average Useful Life	March 31, 2026			December 31, 2025		
		Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(In years)	(In millions)			(In millions)		
Process technologies	8	$ 150	$ (107)	$ 43	$ 150	$ (103)	$ 47
Trade names	10	381	(220)	161	381	(210)	171
		$ 531	$ (327)	$ 204	$ 531	$ (313)	$ 218

Amortization expense of other intangible assets is anticipated to be $43 million for the remainder of 2026, $57 million in 2027, then declining to $47 million in 2028, $38 million in 2029, and $19 million in 2030.

NOTE 7—JOINT VENTURE AND CONSORTIUM ARRANGEMENTS

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

Proportionately consolidated consortiums

The following is a summary description of our significant ongoing 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. Following security-related suspensions beginning in April 2021, the project operated under a limited notice to proceed during 2024 and 2025, including certain out-of-country engineering and procurement activities. The customer formally lifted the project suspension effective December 17, 2025, and the project returned to full EPC project execution conditions in 2026.

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.

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

	March 31, 2026	December 31, 2025
	(In millions)	
Current assets	$ 317	$ 310
Non-current assets	6	7
Total assets	$ 323	$ 317
Current liabilities	$ 305	$ 300
Non-current liabilities	22	23
Total liabilities	$ 327	$ 323

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 March 31, 2026 and December 31, 2025 our proportionate share of advances from the consortiums to the other consortium participants was not material.

Proportionately consolidated collaborative arrangement

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

McDermott/Chiyoda—We previously participated in a consortium with Zachry and Chiyoda to perform EPC services for a natural gas liquefaction facility in Sabine Pass, Texas. Although the consortium shared joint and several liability to the customer, McDermott's exposure to cost increases was limited to its own scope of work.

On May 8, 2024, the customer issued a notice of the consortium's default and breach based on events of default and breaches attributed to Zachry. Zachry and certain of its subsidiaries subsequently filed for Chapter 11 bankruptcy protection on May 21, 2024. On August 12, 2024, the bankruptcy court approved a settlement among the customer, Zachry, Chiyoda, and McDermott, providing for Zachry's exit from the project and existing consortium and broad mutual releases. Under the settlement, the customer released McDermott and Chiyoda from all claims related to the project, except for claims, including warranty claims, based on work performed or services provided by McDermott or Chiyoda.

On November 21, 2024, McDermott and Chiyoda entered into an amended and restated EPC contract with the customer (Amendment No. 4) 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 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:

	March 31, 2026	December 31, 2025
	(In millions)	
Current assets [(1)]	$ 599	$ 630
Non-current assets	45	53
Total assets	$ 644	$ 683
Current liabilities	$ 526	$ 560
Non-current liabilities	4	8
Total liabilities	$ 530	$ 568

(1) Includes approximately $24 million and $31 million of cash and cash equivalents as of March 31, 2026 and December 31, 2025, 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 March 31, 2026 and December 31, 2025, Accrued liabilities on the Balance Sheets included approximately $65 million related to advances from this joint venture.
- *Specialized Offshore Facilities Services Company Limited* (within our Offshore Middle East segment)—We have a joint venture (McDermott–50%/Zamil Offshore Services Company–50%) to perform construction of harbor and marine facilities and related services for offshore oil and gas projects in the Kingdom of Saudi Arabia. This joint venture was not a VIE as of March 31, 2026.
- *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 March 31, 2026.

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

NOTE 8—DEBT

The carrying values of our debt obligations were as follows:

	March 31, 2026	December 31, 2025
	(In millions)	
Current debt		
Amazon financing facility		
Financing facility	$ 22	$ 22
Facility issuance costs	(2)	(2)
Total current debt	$ 20	$ 20
Long-term debt		
LC Term Loans	$ 24	$ 23
Exit Facilities		
Term Loan Exit Facility	654	648
Term Loan Exit Facility - renewal costs	(10)	(12)
Make-Whole Exit Facility	44	44
Amazon financing facility		
Financing facility	143	148
Facility issuance costs	(12)	(12)
Total long-term debt	$ 843	$ 839

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 March 31, 2026, approximately $258 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 March 31, 2026 and December 31, 2025, 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 for both periods. 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 March 31, 2026 and December 31, 2025, we reflected (1) capitalized issuance costs, within "Other non-current assets", of approximately $45 million and $54 million, respectively, which are amortized into interest expense over the term of the amended and extended facilities, and (2) capitalized renewal issuance costs, within "Long-term debt", of approximately $10 million and $12 million, respectively, which are amortized into interest expense over the amended term of the Term Loan Exit Facility.

On the Amend and Extend Closing Date, we also entered into an escrow agreement with certain Senior LC Exit Facility participants, pursuant to which we deposited $32.5 million into the escrow account, recognized within "Restricted cash and cash equivalents" on our Balance Sheets as of March 31, 2026. 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 March 31, 2026:

- 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 March 31, 2026.

We were in compliance with the financial covenant requirements as of March 31, 2026.

Amazon Financing

One of our vessels, the *Amazon*, a pipelay and construction vessel, is financed under a $285 million term loan entered into in February 2021, maturing on December 31, 2033. The facility bears 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 this facility are irrevocably and unconditionally guaranteed by MIL and are secured by, among others, a mortgage on the Amazon. As of March 31, 2026, approximately $165 million was outstanding. Issuance costs associated with this facility were approximately $26 million 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 March 31, 2026, 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 March 31, 2026 and December 31, 2025, we held approximately $46 million and $41 million, respectively, as cash collateral, under the Uncommitted Facilities, reflected within "Restricted cash and cash equivalents" in our Balance Sheets.

NOTE 9–ACCRUED LIABILITIES

Our accrued liabilities as of March 31, 2026 and December 31, 2025 included the following:

	March 31, 2026	December 31, 2025
	(In millions)	
Accrued contract costs	$ 1,207	$ 1,319
Advances from equity method and proportionally consolidated joint ventures and consortiums [1]	102	112
Income taxes payable	134	122
Other accrued taxes	51	70
Finance lease obligations	7	5
Other accrued liabilities [2]	388	350
Accrued liabilities	$ 1,889	$ 1,978

(1) Represents advances from our joint ventures and consortiums in which we participate. See Note 7, *Joint Venture and Consortium Arrangements*, for further discussion.

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

NOTE 10—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 $6 million and $3 million for the three months ended March 31, 2026, and 2025, respectively.

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

Defined benefit pension and other postretirement plans

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

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.

	Three months ended March 31,	
	2026	2025
	(In millions)	
Non-U.S. pension plans:		
Interest cost	$ 6	$ 5
Expected return on plan assets	(4)	(4)
Net periodic benefit cost	$ 2	$ 1

The net periodic pension cost associated with our U.S. pension and postretirement plans was not material during the three months ended March 31, 2026 and 2025.

NOTE 11—FAIR VALUE MEASUREMENTS

Fair value of financial instruments

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

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

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

	March 31, 2026				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In millions)		
Measured at fair value on recurring basis					
Series B Preference Shares (Note 15)	$ (133)	$ (133)	$ -	$ -	$ (133)
Forward contracts [1]	(23)	(23)	-	(23)	-
Not measured at fair value on recurring basis					
Debt [2]	(887)	(770)	-	(601)	(169)

	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 15)	$ (117)	$ (117)	$ -	$ -	$ (117)
Forward contracts [1]	(5)	(5)	-	(5)	-
Not measured at fair value on recurring basis					
Debt [2]	(885)	(731)	-	(557)	(174)

(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.

There were no indicators of impairment present during the first quarters of 2026 and 2025.

NOTE 12—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 $1.1 billion as of March 31, 2026, with maturities extending through September 2026. The net fair value was in a net liability position totaling approximately $22 million as of March 31, 2026. 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 March 31, 2026, 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 March 31, 2026, we deferred approximately $64 million of net losses in AOCI in connection with our cash flow hedges, and we expect to reclassify approximately $46 million of deferred losses out of AOCI by March 31, 2027, as the hedged items impact earnings.

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

	March 31, 2026	December 31, 2025
	(In millions)	
Other current assets	$ 7	$ 4
Total derivatives asset	$ 7	$ 4
Accrued liabilities	$ 30	$ 9
Total derivatives liability	$ 30	$ 9

Under the netting arrangements with the same party, approximately $7 million and $4 million of derivative assets were offset against the derivative liabilities as of March 31, 2026 and December 31, 2025, respectively.

The fair value of derivatives not designated as cash flow hedges was immaterial as of March 31, 2026 and December 31, 2025. The notional value of these derivatives was $184 million and $126 million as of March 31, 2026 and December 31, 2025, respectively.

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

	Three months ended March 31,	
	2026	2025
	(In millions)	
Amount of gain (loss) recognized in OCI		
Foreign exchange hedges	$ (17)	$ 12
Gain (loss) recognized on derivatives designated as cash flow hedges		
Foreign exchange hedges		
Cost of operations	1	(6)
Gain recognized on derivatives not designated as cash flow hedges		
Foreign exchange hedges		
Cost of operations	1	-

NOTE 13—INCOME TAXES

For the three months ended March 31, 2026, we recognized income before provision for income taxes of $26 million, compared to a loss of $79 million for the three months ended March 31, 2025. The provision for income taxes was $37 million and $28 million for the three months ended March 31, 2026 and 2025, respectively. The effective tax rate was approximately 142% for the three months ended March 31, 2026 and (35%) for the three months ended March 31, 2025.

The effective tax rate of 142% for the first quarter of 2026 and (35%) for the first quarter of 2025 was driven by a mix of earnings in the higher tax rate jurisdictions, withholding tax, and no tax benefit recognized in the loss jurisdictions.

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

Ordinary shares

As of March 31, 2026, we had 96.8 million shares authorized and 28.5 million shares issued and outstanding.

Warrants

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 on June 30, 2020, 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 $3 million and $1 million during the three months ended March 31, 2026 and 2025, respectively.

At March 31, 2026, there was $34 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.

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, 2024	$ (27)	$ (109)	$ (3)	$ (139)
Other comprehensive income before reclassification	14	12	-	26
Amounts reclassified from AOCI [2]	-	6	-	6
Net current period change	14	18	-	32
March 31, 2025	$ (13)	$ (91)	$ (3)	$ (107)
December 31, 2025	$ 10	$ (46)	$ (3)	$ (39)
Other comprehensive loss before reclassification	(3)	(17)	-	(20)
Amounts reclassified from AOCI [2]	-	(1)	-	(1)
Net current period change	(3)	(18)	-	(21)
March 31, 2026	$ 7	$ (64)	$ (3)	$ (60)

(1) Refer to Note 12, *Derivative Financial Instruments*, for additional details.

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

NOTE 15—REDEEMABLE PREFERENCE SHARES

On March 25, 2024, we issued $75 million aggregate principal amount of non-voting preference shares, 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 $133 million and $117 million as of March 31, 2026 and December 31, 2025, respectively, recorded in "Series B Preference Shares" within non-current liabilities in the Balance Sheets. During the three months ended March 31, 2026, the fair value of the Series B Preference Shares increased by approximately $14 million, in addition to $2 million of accrued dividends. 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.

NOTE 16—COMMITMENTS AND CONTINGENCIES

Investigations and litigation

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

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

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

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 March 31, 2026.

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 March 31, 2026. 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 March 31, 2026. We believe the claims are without merit, and we intend to defend against them vigorously.

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 March 31, 2026.

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 March 31, 2026.

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 March 31, 2026, 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 March 31, 2026 and December 31, 2025, we determined that we had approximately $618 million and $576 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 March 31, 2026 and December 31, 2025 was $3 million for both periods. Significant potential liquidated damages exposures included in the $618 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 $156 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 $100 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 17—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. Foreign exchange gains of approximately $15 million and foreign exchange losses of approximately $51 million related to intercompany balances were recorded for the three months ended March 31, 2026 and 2025, respectively, in "Other non-operating income (expense), net" in the Statements of Operations.

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

Revenue and operating results were as follows:

	Three months ended March 31, 2026 (In millions)				
	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total
Revenues	$ 1,263	$ 645	$ 453	$ -	$ 2,361
Cost of revenue	1,211	622	395	-	2,228
Selling, general and administrative expenses [(1)] [(2)]	6	7	8	47	68
Intangible assets amortization (Note 6)	3	6	5	-	14
Research and development expenses	-	-	1	-	1
Gain on disposal of other assets and investments, net	-	-	(1)	-	(1)
Total expenses	1,220	635	408	47	2,310
Income (loss) from investments in unconsolidated affiliates (Note 7)	(1)	-	1	3	3
Operating income (loss)	$ 42	$ 10	$ 46	$ (44)	$ 54

	Three months ended March 31, 2025 (In millions)				
	Low Carbon Solutions	Offshore Middle East	Subsea and Floating Facilities	Corporate and Global Operations	Total
Revenues	$ 970	$ 702	$ 461	$ -	$ 2,133
Cost of revenue	931	700	436	(2)	2,065
Selling, general and administrative expenses [(1)] [(2)]	6	8	4	27	45
Intangible assets amortization (Note 6)	3	6	5	-	14
Research and development expenses	-	-	1	-	1
Restructuring costs	-	-	-	2	2
Transaction costs	-	-	-	1	1
Total expenses	940	714	446	28	2,128
Income from investments in unconsolidated affiliates (Note 7)	-	1	4	4	9
Operating income (loss)	$ 30	$ (11)	$ 19	$ (24)	$ 14

(1) Selling, general and administrative expenses during the three months ended March 31, 2026 and 2025 included approximately $18 million and $15 million, respectively, of selling and bidding expenses.

(2) During the three months ended March 31, 2026 and 2025, our selling, general and administrative expenses within Corporate and Global Operations included approximately $16 million and $7 million, respectively, related to the change in the carrying value of our Series B Preference Shares, discussed in Note 15, *Redeemable Preference Shares.*

Depreciation and amortization expense and capital expenditures were as follows:

	Three months ended March 31,	
	2026	2025
	(In millions)	
Depreciation and amortization:		
Low Carbon Solutions	$ 3	$ 3
Offshore Middle East	12	11
Subsea and Floating Facilities	19	15
Corporate and Global Operations	4	4
Total depreciation and amortization	$ 38	$ 33
Capital expenditures [1]:		
Low Carbon Solutions	$ -	$ 4
Offshore Middle East	3	8
Subsea and Floating Facilities	4	6
Corporate and Global Operations	2	6
Total capital expenditures	$ 9	$ 24

(1) Capital expenditures represent cash purchases.

Our segment assets were as follows:

	March 31, 2026	December 31, 2025
	(In millions)	
Low Carbon Solutions	$ 2,217	$ 2,228
Offshore Middle East	2,088	2,117
Subsea and Floating Facilities	1,685	1,794
Corporate and Global Operations	946	900
Total assets	$ 6,936	$ 7,039

NOTE 18—SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 15, 2026, the date these financial statements were available to be issued.

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

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

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

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

- the adequacy of our sources of liquidity and capital resources;
- implementation of strategies to reduce and recover costs, increase operational efficiencies and lower our capital spending in connection with the current macroeconomic environment;
- the ultimate impact and duration of the 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 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.

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.

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 April 2026, the Organization of the Petroleum Exporting Countries ("OPEC") maintained its forecast for world oil demand growth in 2026 at approximately 1.4 million barrels per day, despite heightened geopolitical uncertainty. OPEC noted a short-term reduction in demand expectations for the second quarter, reflecting disruptions associated with the ongoing conflict in the Middle East; however, it expects demand growth to remain stable over the full year, supported primarily by strong economic and consumption growth in non-OECD economies, particularly China and India. At the same time, 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 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. The conflict in the Middle East has resulted in the closure of portions of regional airspace, disruptions to key shipping corridors including the Strait of Hormuz, 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 and energy companies 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, and has extended such force majeure through at least mid-June 2026.

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 cargoes, heightened security risks, and increased volatility in oil and gas prices. These impacts could affect our customers, our customers' ability to make timely payments, if at all, under our existing contracts, and our ability to conduct business with our customers, as well as delay the development of our awarded contracts. In addition, heightened geopolitical tensions have increased the risk of cyberattacks and other cybersecurity threats targeting critical infrastructure, energy systems, and related operations in the region, which could further disrupt our operations or those of our customers and suppliers.

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.

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:

	March 31, 2026 (Dollars in millions)		December 31, 2025 (Dollars in millions)	
Low Carbon Solutions	$ 8,893	51%	$ 8,627	47%
Offshore Middle East	6,700	38%	7,217	40%
Subsea and Floating Facilities	1,969	11%	2,307	13%
Total	$ 17,562	100%	$ 18,151	100%

Our RPOs decreased by approximately $0.6 billion from December 31, 2025 to March 31, 2026, due to new awards and change orders of approximately $1.8 billion, offset by operating revenues of approximately $2.4 billion, in each case recognized during the three months ended March 31, 2026.

Our RPOs as of March 31, 2026 include approximately $145 million associated with unapproved change orders.

Of the March 31, 2026 RPOs, we expect to recognize revenues as follows:

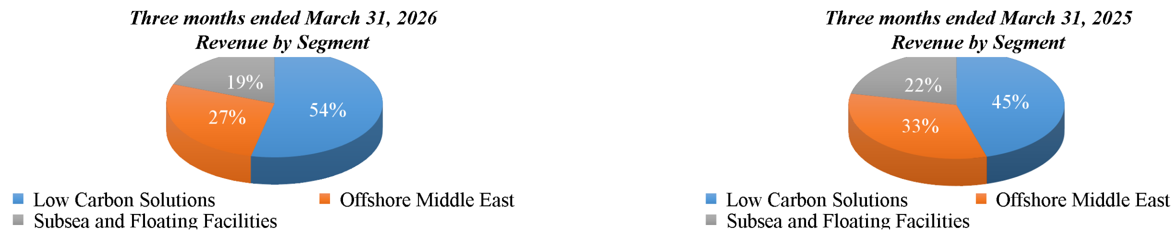
	2026	2027	Thereafter
		(In millions)	
Total RPOs	$ 5,367	$ 5,768	$ 6,427

Loss projects

Our accrual of provisions for estimated losses as of March 31, 2026 and December 31, 2025 is included in the “Advance billings on contracts” account and was approximately $52 million and $65 million, respectively, and related to loss projects that are approximately 92% complete on a weighted-average basis as of March 31, 2026.

Three months ended March 31, 2026 vs three months ended March 31, 2025

Revenue



	Three months ended March 31, 2026	Three months ended March 31, 2025	Change (In millions)	Change Percentage
	(In millions)			
Revenues:				
Low Carbon Solutions	$ 1,263	$ 970	$ 293	30%
Offshore Middle East	645	702	(57)	(8%)
Subsea and Floating Facilities	453	461	(8)	(2%)
Total revenues	$ 2,361	$ 2,133	$ 228	11%

Consolidated segment operating revenues increased by 11%, or approximately $228 million, during the first quarter of 2026 compared to the first quarter of 2025.

Low Carbon Solutions—Revenues increased by 30%, or approximately $293 million. 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; and renewable energy HVDC projects in the North Sea offshore Germany.

Offshore Middle East—Revenues decreased by 8%, or $57 million. The decrease was primarily due to the substantial completion of several large Saudi Aramco projects, partially offset by activity on an EPCI project awarded in 2025 for offshore oilfield development in Abu Dhabi, and continued progress on other ongoing projects. Revenues in 2025 also benefited from QatarEnergy LNG EPCI project for offshore and onshore gas pipelines.

Subsea and Floating Facilities—Revenues decreased by 2%, or $8 million. The decrease was primarily attributable to the substantial completion of the EPCI and commissioning services project offshore Western Australia, a subsea project off the coast of Angola, and other projects, partially offset by progress on the EPCI, hook-up, and commissioning project for gas field developments off the southwest coast of Vietnam; progress on the transportation and installation project, offshore Brazil; and various other projects.

Segment operating results

	Three months ended March 31,		Change	
	2026	2025		
	(In millions)		(In millions)	Percentage
Operating income (loss):				
Low Carbon Solutions	$ 42	$ 30	$ 12	40%
Offshore Middle East	10	(11)	21	191%
Subsea and Floating Facilities	46	19	27	142%
Total segment operating income	$ 98	$ 38	$ 60	158%
Corporate and Global Operations	(44)	(24)	(20)	(83%)
Total operating income	$ 54	$ 14	$ 40	286%

Consolidated segment operating income during the three months ended March 31, 2026 and 2025 was $98 million and $38 million, respectively. Consolidated segment operating results in both periods were impacted by net unfavorable changes in estimates totaling approximately $20 million and $57 million, respectively.

Low Carbon Solutions—Segment operating income during the three months ended March 31, 2026 was primarily associated with renewable energy HVDC projects in the North Sea, the previously suspended Mozambique LNG export facility project, and various other projects. Segment operating income during the three months ended March 31, 2025 was primarily associated with progress on an LNG export facility project in Canada, a U.S. LNG export facility project in Sabine Pass, Texas, a renewable energy contract HVDC project in the North Sea, offshore Germany, and various other projects, partially offset by the net unfavorable changes in estimates totaling approximately $18 million, across several projects. Segment operating results in both periods were also impacted by selling and tendering costs, amortization of intangible assets, and other charges attributable to the segment.

Offshore Middle East—Segment operating income during the three months ended March 31, 2026 was associated with progress on a variety of projects, partially offset by net unfavorable changes in estimates of approximately $25 million, primarily resulting from increases in cost estimates due to lower productivity, adverse weather, and other drivers on a project in Qatar. The increase in segment operating income in 2026 was primarily driven by activity on newly awarded projects. Segment operating results during the three months ended March 31, 2025 were negatively impacted by the net unfavorable changes of approximately $49 million, primarily resulting from deteriorations on two projects in Qatar. Segment 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 income during the three months ended March 31, 2026 was primarily associated with EPCI, hook-up, and commissioning projects for gas field developments off the southeast coast of Trinidad and Tobago and the southwest coast of Vietnam, and other projects. Segment operating income during the three months ended March 31, 2025 was primarily associated with progress on the EPCI services project for a floating production unit offshore Western Australia, the EPCI, hook-up, and commissioning project for gas field developments off the southeast coast of Trinidad and Tobago, and various other 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.

Corporate and Global Operations—Operating results during both periods were primarily associated with selling, general and administrative ("SG&A") expenses, partially offset by income from investments in unconsolidated affiliates. SG&A expenses during the three month ended March 31, 2026 were higher than those in the prior-year period, primarily due to a $16 million change in the carrying value of our Series B Preference Shares (as discussed in Note 15, *Redeemable Preference Shares*, to the accompanying financial statements), compared to a $7 million impact in the prior period.

Other non-operating items

Interest expense, net

Interest expense, net was $41 million for each of the three months ended March 31, 2026 and 2025, and included fees associated with letter of credit arrangements, interest expense (including PIK interest), and accretion cost associated with our financing facilities described below, and other items.

Other non-operating income/expense, net

Other non-operating income, net was $13 million during the three months ended March 31, 2026 and primarily related to a foreign exchange remeasurement associated with the Euro-denominated intercompany balances.

Other non-operating expense, net was $52 million during the three months ended March 31, 2025 and primarily related to a foreign exchange remeasurement associated with the Euro-denominated intercompany balances.

Income tax expense

For the three months ended March 31, 2026, we recognized income before provision for income taxes of $26 million, compared to a loss of $79 million for the three months ended March 31, 2025. The provision for income taxes was $37 million and $28 million for the three months ended March 31, 2026 and 2025, respectively. The effective tax rate was approximately 142% for the three months ended March 31, 2026 and (35%) for the three months ended March 31, 2025.

The effective tax rate of 142% for the first quarter of 2026 and (35%) for the first quarter of 2025 was driven by a mix of earnings in the higher tax rate jurisdictions, withholding tax, and no tax benefit recognized in the loss jurisdictions.

Liquidity and Capital Resources

Cash, cash equivalents and restricted cash

As of March 31, 2026, we had approximately $939 million of cash, cash equivalents and restricted cash, as compared to approximately $1,081 million as of December 31, 2025. Restricted cash of $124 million as of March 31, 2026 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 $46 million of cash collateral under the uncommitted bilateral credit facilities, discussed under “Financing arrangements” below. Approximately $170 million and $24 million of our cash and cash equivalents as of March 31, 2026 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 March 31, 2026, we had approximately $435 million of cash in jurisdictions outside the United States, principally in Italy, the Netherlands, United Arab Emirates, Bermuda, Canada, and the United Kingdom. As of March 31, 2026, approximately 3% of our total outstanding cash balance is held in countries that have established government-imposed currency restrictions that could impede the ability of our subsidiary to transfer funds to the United States.

Cash flow activities

Operating activities—Net cash used by operating activities was $126 million and $52 million during the three months ended March 31, 2026 and 2025, 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 $9 million and $24 million during the three months ended March 31, 2026 and 2025, respectively, and was associated with capital expenditures.

Financing activities—Net cash used by the financing activities was $7 million and $5 million during the three months ended March 31, 2026 and 2025, respectively, and primarily related to the principal repayments under the Amazon Financing Facility, discussed under “Financing arrangements” below.

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 March 31, 2026, approximately $258 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 March 31, 2026 and December 31, 2025, 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 for both periods. 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 March 31, 2026 and December 31, 2025, we reflected (1) capitalized issuance costs, within “Other non-current assets”, of approximately $45 million and $54 million, respectively, which are amortized into interest expense over the term of the amended and extended facilities, and (2) capitalized renewal issuance costs, within “Long-term debt”, of approximately $10 million and $12 million, respectively, which are amortized into interest expense over the amended term of the Term Loan Exit Facility.

On the Amend and Extend Closing Date, we also entered into an escrow agreement with certain Senior LC Exit Facility participants, pursuant to which we deposited $32.5 million into the escrow account, recognized within “Restricted cash and cash equivalents” on our Balance Sheets as of March 31, 2026. 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 March 31, 2026:

- 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 March 31, 2026.

We were in compliance with the financial covenant requirements as of March 31, 2026.

Amazon Financing

One of our vessels, the *Amazon*, a pipelay and construction vessel, is financed under a $285 million term loan entered into in February 2021, maturing on December 31, 2033. The facility bears 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 this facility are irrevocably and unconditionally guaranteed by MIL and are secured by, among others, a mortgage on the Amazon. As of March 31, 2026, approximately $165 million was outstanding. Issuance costs associated with this facility were approximately $26 million 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 March 31, 2026, 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 March 31, 2026 and December 31, 2025, we held approximately $46 million and $41 million, respectively, as cash collateral, under the Uncommitted Facilities, reflected within “Restricted cash and cash equivalents” in our Balance Sheets.

RISK FACTORS

As of the date of this report, there have been no material changes to the Risk Factors disclosed in our Annual Report for the year ended December 31, 2025. For detailed information regarding risks that could materially and adversely affect our business, financial condition, results of operations or cash flows, we refer you to the information under the caption "Risk Factors" in our Annual Report for the year ended December 31, 2025, a copy of which is available on our website at www.mcdermott.com/investors.