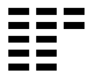
 Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	994 685 171
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	J.RAY MCDERMOTT (NORWAY), AS
Forretningsadresse:	c/o Wikborg Rein Advokatfirma AS Dronning Mauds gate 11 0250 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Anthony C. Brown
Dato for fastsettelse av årsregnskapet:	28.06.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert

År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 25.04.2026

Resultatregnskap

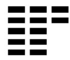
Beløp i: USD	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	2	16 962 280	16 962 280
Sum inntekter		**16 962 280**	**16 962 280**
Kostnader			
Avskrivning	3	731 469	731 469
Annen driftskostnad	4,5	1 619 636	14 872 403
Sum kostnader		**2 351 105**	**15 603 872**
Driftsresultat		**14 611 175**	**1 358 408**
Finansinntekter og finanskostnader			
Inntekt på andre investeringer	5	39 393 222	
Annen finansinntekt		79	3 179
Sum finansinntekter		**39 393 301**	**3 179**
Annen finanskostnad		15	
Sum finanskostnader		**15**	
Netto finans		**39 393 286**	**3 179**
Ordinært resultat før skattekostnad		**54 004 461**	**1 361 587**
Skattekostnad	6	2 402	2 402
Ordinært resultat etter skattekostnad		**54 002 059**	**1 359 185**
Årsresultat		**54 002 059**	**1 359 185**
Overføringer og disponeringer			
Overføring til/fra annen egenkapital	7	54 002 059	1 359 185
Sum overføringer og disponeringer		**54 002 059**	**1 359 185**

Balanse

Beløp i: USD	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		**0**	
Varige driftsmidler			
Skip, rigger, fly og lignende	3	11 256 493	11 987 962
Sum varige driftsmidler		**11 256 493**	**11 987 962**
Finansielle anleggsmidler			
Investering i datterselskap	5		
Sum anleggsmidler		**11 256 493**	**11 987 962**
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		13 392	
Konsernfordringer	8	132 338 453	76 248 158
Sum fordringer		**132 351 845**	**76 248 158**
Sum omløpsmidler		**132 351 845**	**76 248 158**
SUM EIENDELER		**143 608 338**	**88 236 120**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	7, 9	34 321	34 321
Overkurs	7	29 815 313	29 815 313
Sum innskutt egenkapital		**29 849 634**	**29 849 634**
Opptjent egenkapital			

Balanse

Beløp i: USD	Note	2023	2022
Annen egenkapital	7	112 232 190	58 230 130
Sum opptjent egenkapital		**112 232 190**	**58 230 130**
Sum egenkapital		**142 081 824**	**88 079 764**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Leverandørgjeld		1 097 953	3 980
Betalbar skatt	6	2 402	2 402
Annen kortsiktig gjeld	8	426 159	149 974
Sum kortsiktig gjeld		**1 526 514**	**156 356**
Sum gjeld		**1 526 514**	**156 356**
SUM EGENKAPITAL OG GJELD		**143 608 338**	**88 236 120**


Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Journalnummer:	2024 673689

Enheten

Organisasjonsnummer:	994 685 171
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	J.RAY MCDERMOTT (NORWAY), AS
Forretningsadresse:	c/o Wikborg Rein Advokatfirma AS Dronning Mauds gate 11 0250 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

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Konsernregnskap lagt ved:	Ja

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Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Anthony C. Brown
Dato for fastsettelse av årsregnskapet:	28.06.2024

Revisjon

Ekstern autorisert regnskapsfører har i løpet av regnskapsåret bistått ved den løpende regnskapsføringen eller utført andre tjenester for selskapet enn å utarbeide årsregnskapet:	Ja

Grunnlag for avgivelse

År 2023: Årsregnskap er elektronisk innlevert.
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023.

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 15.08.2024

Brønnøysundregistrene
Postadresse: Postboks 900, 8910 Brønnøysund
Telefon: 75 00 75 00
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Organisasjonsnr: 994 685 171
J.RAY MCDERMOTT (NORWAY), AS

RESULTATREGNSKAP

Beløp i: USD	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	2	16 962 280	16 962 280
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Sum overføringer og disponeringer		**54 002 059**	**1 359 185**

Organisasjonsnr: 994 685 171
J.RAY MCDERMOTT (NORWAY), AS

BALANSE

Beløp i: USD	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		**0**	
Varige driftsmidler			
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Finansielle anleggsmidler			
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Organisasjonsnr: 994 685 171
J.RAY MCDERMOTT (NORWAY), AS

NOTEOPPLYSNINGER - SELSKAP

- alle poster oppgitt i hele tall

Note

Antall aksjer og aksjeeiere

Note

Antall årsverk i regnskapsåret

Virksomheten har hatt følgende antall årsverk:
0.00

Note

Lån og sikkerhetsstillelse til ledende personer og aksjeeiere

Er det gitt lån eller sikkerhetsstillelse til ledende personer: Nei

Omløpsmidler	Startdato	Sluttdato	Endring

Skattemessig fremf.undersk.	Startdato	Sluttdato	Endring

Kortsiktig gjeld	Startdato	Sluttdato	Endring

ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

For the annual period ended December 31, 2023

MCDERMOTT INTERNATIONAL, LTD

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

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

McDERMOTT INTERNATIONAL, LTD

Report of Independent Registered Public Accounting Firm 2
Consolidated Financial Statements 4
- Consolidated Statements of Operations 4
- Consolidated Statements of Comprehensive Income (Loss) 5
- Consolidated Balance Sheets 6
- Consolidated Statements of Cash Flows 7
- Consolidated Statements of Stockholders' Equity 8

Notes to Consolidated Financial Statements 9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of McDermott International, Ltd. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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

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

Critical Audit Matter

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

Revenue recognition under long-term contracts

Description of the Matter

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

Auditing management's estimates of the progress towards completion of its projects was complex and subjective because of the considerable judgment required to evaluate management's determination of the

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

How We Addressed the Matter in Our Audit

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

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

Ernst + Young LLP

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

Houston, Texas
April 8, 2024

CONSOLIDATED FINANCIAL STATEMENTS

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF OPERATIONS

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

See accompanying Notes to these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS

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

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

See accompanying Notes to these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED BALANCE SHEETS

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

See accompanying Notes to these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying Notes to these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Deficit	AOCI	Stockholders' Equity	NCI	Total Equity
			(In millions)				
Balance at December 31, 2021	$ 1	$ 2,371	$ (2,020)	$ (18)	$ 334	$ (2)	$ 332
Net loss	-	-	(234)	-	(234)	(2)	(236)
Other comprehensive income, net of tax	-	-	-	(48)	(48)	-	(48)
Stock compensation expense	-	3	-	-	3	-	3
Accretion and dividends on redeemable preference shares	-	-	(48)	-	(48)	-	(48)
Balance at December 31, 2022	$ 1	$ 2,374	$ (2,302)	$ (66)	$ 7	$ (4)	$ 3
Net loss	-	-	(683)	-	(683)	-	(683)
Other comprehensive income, net of tax	-	-	-	(9)	(9)	-	(9)
Common stock issued in connection with Tanks Credit Facilities	-	32	-	-	32	-	32
Stock compensation expense	-	4	-	-	4	-	4
Accretion and dividends on redeemable preference shares	-	-	(64)	-	(64)	-	(64)
Balance at December 31, 2023	$ 1	$ 2,410	$ (3,049)	$ (75)	$ (713)	$ (4)	$ (717)

See accompanying Notes to these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Operations and Organization 10
Note 2—Basis of Presentation 14
Note 3—Revenue Recognition 21
Note 4—Project Changes in Estimates 23
Note 5—Accounts Receivable—Trade, net 24
Note 6—Intangible Assets 24
Note 7—Joint Venture and Consortium Arrangements 25
Note 8—Supplemental Balance Sheet Details 28
Note 9—Debt 29
Note 10—Operating Leases 33
Note 11—Pension and Postretirement Benefits 34
Note 12—Fair Value Measurements 40
Note 13—Derivative Financial Instruments 42
Note 14—Income Taxes 43
Note 15—Stockholders' Equity and Equity-Based Incentive Plans 45
Note 16—Redeemable Preference Shares 46
Note 17—Commitments and Contingencies 48
Note 18—Segment Reporting 53
Note 19—Subsequent Events 56

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—NATURE OF OPERATIONS AND ORGANIZATION

Overview

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

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

Our business is organized into four business lines, which represent our reportable segments consisting of: (1) Low-Carbon Solutions (previously known as Onshore), focused on energy transition, including high voltage direct current platforms, LNG, differentiated project solutions, such as front-end engineering design ("FEED") conversions and modularization, and Lummus Technology pull-through projects; (2) Offshore Middle East, focused on shallow water offshore projects in the Middle East; (3) Subsea and Floating Facilities, focused on subsea, floating facilities and fixed facilities projects outside of the Middle East; and (4) CB&I, representing our storage solutions business. We also report certain global and corporate activities under the heading "Corporate and Global Operations", comprised of (1) corporate activities, which include certain centrally managed initiatives (such as reorganization, restructuring, acquisition and divestiture activities), impairments, year-end actuarial pension mark to market gains and losses and other costs not attributable to a particular reporting segment; and (2) global operations, relating to engineering and supply chain activities in India, our non-Middle East fabrication yards and global project management and controls.

Restructuring Transactions

In November 2022, we commenced negotiations with certain secured lenders, including an ad hoc group of certain lenders under our credit facilities and shareholders of MIL (the "Ad Hoc Group") and a steering committee comprised of Crédit Agricole Corporate and Investment Bank, and certain other lenders and issuers of our credit facilities (together, the "Steering Committee"). These negotiations coalesced around a deal structure that would, among other things, extend the maturities of the Escrow LC Facility and Exit Credit Agreement (defined and described in Note 9, *Debt*) to proactively address our liquidity needs and ability to satisfy our obligations. The negotiations between the Company, the Ad Hoc Group, and the Steering Committee ultimately culminated in the execution of a Transaction Support Agreement on September 8, 2023 (as amended by the Amendment to the Transaction Support Agreement dated January 24, 2024, the "Transaction Support Agreement"). In connection with the Transaction Support Agreement, the Company launched a series of integrated transactions (the "Restructuring Transactions") through three non-U.S. proceedings (the English Proceeding and the two Dutch Proceedings, each as defined and described below) that collectively de-levered the Company's balance sheet, including by addressing the Reficar-related liabilities (defined and described under "Litigation Matters" below) and extending the maturity of the Escrow LC Facility and Exit Credit Agreement. The respective court approvals in the English Proceeding, Dutch Proceedings, and Chapter 15 Proceeding (each as defined below) served to effectuate the Restructuring Transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Following the sanctioning of the CB&I UK Restructuring Plan, the sanctioning of the WHOA Plans and the recognition of the Foreign Implementation Proceedings, on March 25, 2024 we entered into amendments to the Escrow LC Facility and Exit Credit Agreement to, among other things, extend the maturity of those facilities (as discussed in Note 9, *Debt)*.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Litigation Matters

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

As of September 30, 2023, we recorded a reserve of $1,334 million for the Reficar matter, which was inclusive of the $938 million damages award, $59 million of legal costs awarded, and $337 million in interest through September 30, 2023. Upon reaching the Reficar Resolution Agreement, in accordance with Accounting Standards Codification ("ASC") 855, *Subsequent Events*, effective December 31, 2023, we (1) reversed the reserve of $1,334 million; and (2) recorded a reserve of $196 million, comprised of (a) $66 million representing the fair value of the Series B Preference Shares (as defined and described in Note 16, *Redeemable Preference Shares*), (b) $95 million letter of credit drawn by Reficar on March 28, 2024, that is deemed to be a borrowing under the LC Term Loans (as defined and described in Note 9, *Debt*), (c) $26 million representing the expected value of proceeds estimated to be recoverable by Reficar from applicable insurance (determined using the sum of probability-weighted possible amounts of insurance recovery), and (d) $9 million of advisor costs reimbursable by us to Reficar. The reserve of $196 million has been recognized as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within "Advance billings on contracts" in our Consolidated Balance Sheets as of December 31, 2023.

Liquidity and Going Concern Matters

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

To proactively address our liquidity needs, in November 2022 we commenced discussions with lenders regarding the amendment and extension of the Escrow LC Facility and Exit Credit Agreement (defined and described in Note 9, *Debt*). On March 25, 2024 ("Amend and Extend Closing Date"), we entered into an amendment to the credit agreements and the pledge security agreement (the "A&E Amendment") with the lenders, issuers and agents to the Exit Credit Agreement and the Escrow LC Credit Agreement, which amends the Exit Credit Agreement, the Escrow LC Credit Agreement and the pledge and security agreement, pursuant to which the maturity dates of the Super Senior LC Exit Facility, Senior LC Exit Facility, Make-Whole Exit Facility, and Escrow LC Facility are extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility is extended to December 31, 2027.

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

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

Cybersecurity Incident

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

Recent Developments Affecting Industry Conditions and Our Business

Our industry was adversely affected by geopolitical events that increased the supply of low-priced oil to the global market at the same time that worldwide demand weakened due to the effects of the pandemic, leading to a collapse in oil prices during March 2020. In 2021 U.S. oil production stabilized as commodity prices increased and demand for oil rebounded, which trend continued into 2022. In its report issued on February 14, 2023, the Organization of the Petroleum Exporting Counties ("OPEC") noted that for 2023, the forecast for world oil demand growth stands at 2.3 million barrels per day. Following the February report, in April 2023, OPEC and partner countries announced a crude oil production cut of approximately 1.2 million barrels per day, bringing the total voluntary crude oil production cut to approximately 1.6 million barrels per day, to extend through the end of 2023. On June 4, 2023, these production cuts were further extended through the end of 2024. On November 30, 2023, additional voluntary production cuts totaling 2.2 million barrels per day were announced. Although the world oil demand in 2023 was supported by solid economic performance in major consuming countries, as well as improvements in coronavirus ("COVID-19") pandemic restrictions, we cannot predict the ultimate impact of these events on commodity prices. We expect to see continued volatility in oil and natural gas prices for the foreseeable future due to near-term production instability, potential sanctions and embargoes, the possibility of recession or financial market instability, and supply chain disruption resulting from, among other things, the Russia-Ukraine and the Hamas-Israel conflicts.

Demand for LNG and other sources of energy continues to grow, creating an immediate demand for new distribution infrastructure, including pipelines, LNG terminals and processing capacity, to support ramped up LNG and natural gas exports to Europe. In 2023, the United States was the largest exporter of LNG. In January 2024, the Biden administration announced a pause on the permitting of new LNG export terminal projects in the United States while the United States Department of Energy reviews the economic and environmental impacts of LNG exports. We cannot predict the ultimate duration or impact of such action. We anticipate that the industry's focus on transitioning to cleaner and renewable sources of energy will continue to grow and, as a result, will create additional opportunities for us to serve the industry and the energy transition with our proprietary technologies, integrated expertise and comprehensive solutions. However, the current inflationary pricing environment, threats of global recession, global supply chain disruptions and labor shortages worldwide are impacting growth prospects generally in the energy industry. The Russia-Ukraine conflict is expected to have further global economic consequences, including continued disruptions of the global supply chain and energy markets. The global market is also experiencing inflationary pressures, including rising costs, a tightening steel market and labor shortages, which could result in increases to our operating costs that are not fixed, in addition to raising costs for our customers. Additionally, the ongoing Hamas-Israeli conflict is unpredictable and has already led to market disruptions, supply chain disruptions, increases in the cost of transportation, volatility in the capital markets, interest rates and debt capital costs, diminished liquidity and credit availability, declines in consumer confidence and discretionary spending, which have in turn contributed to global inflationary pressures. While we believe that demand for hydrocarbon resources for both fuel and other downstream activities will continue increasing into 2024, we expect to see continued volatility in oil and natural gas prices for the foreseeable future due to, among other things, the Russia-Ukraine and the Hamas-Israel conflicts, which could, over the long term, adversely impact our industry and create uncertainty in our business. We are currently experiencing disruptions to our global supply chain which have resulted in project prolongations and have negatively impacted performance. These disruptions and the resulting impacts have led to an increase in the number and amounts of unapproved change orders we are currently pursuing with our customers. The ultimate impact of the Russia-Ukraine and the Hamas-Israel conflicts will depend on future developments and the timing and extent to which normal economic and operating conditions resume.

NOTE 2—BASIS OF PRESENTATION

Basis of Presentation

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

Use of Estimates and Judgments

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

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

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

Significant Accounting Policies

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

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

- *Performance Obligations*—A performance obligation is a promise in a contract to transfer distinct goods or services to a customer and is the unit of account in ASC Topic 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our contract costs and related revenues are generally recognized over time as work progresses due to continuous transfer to the customer. To the extent a contract is deemed to have multiple performance obligations, we allocate the transaction price of the contract to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. In addition, certain contracts may be combined and deemed to be a single performance obligation. Our EPCI contracts are generally deemed to be single performance obligations and our contracts with multiple performance obligations were not material as of December 31, 2023.
    - *Performance Obligations Satisfied Over Time*—Revenues for our contracts that satisfy the criteria for over time recognition are recognized as the work progresses. Revenues for contracts recognized over time include revenues for contracts to provide: EPCI services; engineering services; construction services; pipe and steel fabrication services; engineered and manufactured products. We measure transfer of control utilizing an input method to measure progress of the performance obligation based upon the cost-to-cost measure of progress, as it best depicts the transfer of assets to the customer, with Cost of operations including direct costs, such as materials and labor, and indirect costs that are attributable to contract activity. Under the cost-to-cost approach, the use of estimated costs to complete each performance obligation is a significant variable in the process of determining recognized revenues and is a significant factor in the accounting for such performance obligations. Significant estimates impacting the cost to complete each performance obligation are: costs of engineering, materials, components, equipment, labor and subcontracts; vessel costs; labor productivity; schedule durations, including subcontractor or supplier progress; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts in progress. Additionally, external factors such as weather, customer requirements and other factors outside of our control, may affect the progress and estimated cost of a project's completion and, therefore, the timing and amount of recognition of revenues and income. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which could result in material changes to our financial statements and related disclosures.

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

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

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

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

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

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

- *Accounts Receivable*—Any uncollected billed amounts for our performance obligations recognized over time, including contract retainages to be collected within one year, are recorded within Accounts receivable-trade, net. Any uncollected billed amounts, unbilled receivables for which we have an unconditional right to payment, and unbilled receivables for our performance obligations recognized at a point in time are also recorded within Accounts receivable-trade, net. Contract retainages to be collected beyond one year are recorded within Accounts receivable—long-term retainages. We establish allowances for doubtful accounts based on our assessments of collectability.
- *Contracts in Progress*—Projects with performance obligations recognized over time that have revenues recognized to date in excess of cumulative billings are reported within Contracts in progress on our Balance Sheets. While at times certain of our contracts are structured such that we pay internal costs, vendors, and subcontractors in advance of collecting related revenue from our clients, we typically do not include explicit financing components within our contracts.
- *Advance Billings on Contracts*—Projects with performance obligations recognized over time that have cumulative billings in excess of revenues are reported within Advance billings on contracts on our Balance Sheets. Our Advance billings on contracts balance also includes our accruals of provisions for estimated losses on all active projects.

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

As discussed under Note 7, *Joint Venture and Consortium Arrangements,* the use of joint ventures and consortiums exposes us to a number of risks, including credit risks of our co-venturers.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Intangible and Other Long-Lived Assets—Our finite-lived intangible assets were recognized upon emergence from bankruptcy. Our project-related intangible assets are amortized as the applicable projects progress, and our other intangibles are amortized utilizing a straight-line method.

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

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

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

- *Foreign Currency Rate Derivatives*—We do not engage in currency speculation. However, we utilize foreign currency exchange rate derivatives on an ongoing basis to hedge against certain foreign currency related operating exposures. We generally apply hedge accounting treatment for contracts used to hedge operating exposures and designate them as cash flow hedges. Therefore, gains and losses are included in AOCI until the associated underlying operating exposure impacts our earnings, at which time the impact of the hedge is recorded within the Statement of Operations line item associated with the underlying exposure. Changes in the fair value of instruments that we do not designate as cash flow hedges are recognized in the Statement of Operations line item associated with the underlying exposure.
- *Interest Rate Derivatives*—A U.S. dollar interest rate swap arrangement we entered into to mitigate exposure associated with cash flow variability on the Term Loan Exit Facility in an aggregate notional value of $500 million expired on May 10, 2023. See Note 13, *Derivative Financial Instruments*, for further discussion.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Loss Contingencies—We record liabilities for loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. We provide disclosure when there is a reasonable possibility that the ultimate loss will exceed by a material amount the recorded provision or if the loss is not reasonably estimable but is expected to be material to our financial results. We are currently involved in litigation and other proceedings, as discussed in Note 17, *Commitments and Contingencies*. We have accrued our estimates of the probable losses associated with these matters, and associated legal costs are generally recognized as incurred. However, our losses are typically resolved over long periods of time and are often difficult to estimate due to various factors, including the possibility of multiple actions by third parties. Therefore, it is possible future earnings could be affected by changes in our estimates related to these matters.

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

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

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

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

The 2023 effective tax rate of (20%) was partially driven by the recognition of the reserve for the Reficar legal matter, discussed in Note 17, *Commitments and Contingencies*, which did not have offsetting tax benefit, and an increase in taxes from profitable jurisdictions while still generating losses in jurisdictions with no offsetting tax benefit. The effective tax rate was also adversely impacted by increased tax expense related to withholding taxes, changes in the deferred tax valuation allowance and additional tax from business line restructuring.

The 2022 effective tax rate of (76%) was driven by the taxability of the gain on the sale of our interest in Net Power LLC which is included in the overall operating loss and an increase in taxes from profitable jurisdictions while still generating losses in jurisdictions with no offsetting tax benefit. The effective tax rate was also adversely impacted by increased tax expense related to uncertain tax positions, withholding taxes and changes in the deferred tax valuation allowance.

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

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

Income Taxes—In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments require disclosure of specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the impact that this ASU will have on our disclosures.

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

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

NOTE 3—REVENUE RECOGNITION

Remaining Performance Obligations ("RPOs")

Our RPOs, by segment, were as follows:

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

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

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

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

Revenue Disaggregation

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

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

(1) The fixed price revenue increase was primarily attributable to our activity in the Offshore Middle East segment, in line with the market for that region.

(2) The reduction in revenue was associated with the $196 million reserve, recognized in connection with the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization*, under "Litigation Matters".

Revenue recognition

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

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

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

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

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

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

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

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

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

Other—Revenue recognized during the year ended December 31, 2023 attributable to Advance billings on contracts balance outstanding as of December 31, 2022, was approximately $981 million. Revenue recognized during the year ended December 31, 2022 attributable to Advance billings on contracts balance outstanding as of December 31, 2021, was approximately $934 million.

Some of our contracts contain provisions that require us to pay liquidated damages if we are responsible for the failure to meet specified contractual milestone dates and the customer asserts a claim under those provisions. Those contracts define the conditions under which our customers may make claims against us for liquidated damages. In many cases in which we have historically had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. As of December 31, 2023 and 2022, we determined that we had approximately $663 million and $494 million of potential liquidated damages exposure based on performance under contracts to date, respectively. Based on our performance and commercial and legal analysis, we believe we have appropriately recognized probable liquidated damages of $51 million and $3 million as reductions in transaction prices related to such exposure as of December 31, 2023 and 2022, respectively. Where we have not made a reduction in transaction prices, we believe we will be successful in obtaining schedule extensions or other customer-agreed changes that should resolve the potential for the liquidated damages. However, we may not achieve relief on some or all the issues involved and, as a result, could be subject to liquidated damages in the future. In such events, our financial condition or results of operations could be materially impacted.

NOTE 4—PROJECT CHANGES IN ESTIMATES

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

Year ended December 31, 2023

Segment operating results for the year ended December 31, 2023 were impacted by net unfavorable changes in estimates of (1) approximately $145 million, in our Low Carbon Solutions segment, primarily resulting from Baystar projects, incurred in the first half of 2023, discussed in Note 17, *Commitments and Contingencies*, and an onshore oil field development project in the Republic of Uganda; (2) net unfavorable changes in estimates of approximately $57 million in our Offshore Middle East segment, primarily on an EPCI project in Qatar, expected to be substantially complete in the first half of 2024, resulting from weather downtime during installation campaigns and prolongation costs, and an EPCI project in Saudi Arabia, associated with increased subcontractor costs and productivity issues resulting from schedule changes; and (3) approximately $8 million on several projects in our Subsea and Floating Facilities segment. These changes were partially offset by improvements in our CB&I segment during 2023 of approximately $9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

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

NOTE 5—ACCOUNTS RECEIVABLE—TRADE, NET

Our trade receivable balances included the following:

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

[1] Retainages classified within Accounts receivable—trade, net are amounts anticipated to be collected within one year and as to which we have an unconditional right to collect from the customer, subject only to the passage of time. Retainages anticipated to be collected beyond one year are classified as Accounts receivable—long-term retainages on our Balance Sheets and totaled $167 million as of December 31, 2023, of which $105 million and $62 million are expected to be collected in 2025 and thereafter, respectively.

NOTE 6—INTANGIBLE ASSETS

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

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

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

The components of other intangible assets were as follows:

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

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

NOTE 7—JOINT VENTURE AND CONSORTIUM ARRANGEMENTS

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

Proportionately Consolidated Consortiums

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

- *McDermott/CTCI*—We have a consortium with a unit of CTCI Corporation ("CTCI") (McDermott–42.5%/CTCI–57.5%) to perform EPC work for a mono-ethylene glycol facility in Gregory, Texas. This project is substantially complete.
- *CCS JV s.c.a.r.l.*—We have a joint venture with Saipem and Chiyoda (McDermott–24.983%/Saipem–74.949%/Chiyoda–0.068%) for the turnkey construction of two LNG liquefaction trains and the relevant supporting structures to be built in the Republic of Mozambique. On April 28, 2021, following an escalating security situation in the Cabo Delgado Province in Mozambique, the customer withdrew all Mozambique personnel from the project site and suspended all progressible activities for the project. McDermott continues to work with the customer, our co-venturers in CCS JV, and our subcontractors and vendors to evaluate the project schedule and potential impacts of the suspension and related events. As of the date of this report, the contract has not been terminated. We continue to work with the customer to finalize the total costs associated with the suspension, which have been reimbursable. During the years ended December 31, 2023 and 2022, we recognized approximately $67 million and $49 million, respectively, in revenues related to the suspension. This project was approximately 27% complete at the time of suspension. The percentage of completion could change based upon any revisions to the total project cost once the project resumes. As of December 31, 2023, the RPOs associated with the project were approximately $1.9 billion.

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

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

Our consortium arrangements may allow for excess working capital of the consortium to be advanced to the consortium participants. Such advances are returned to the ventures for working capital needs as necessary. As of December 31, 2023 and 2022 our proportionate share of advances from the consortiums to the other consortium participants was not material.

Proportionately Consolidated Collaborative Arrangement

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

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

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

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

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

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

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

Equity Method Joint Ventures

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

- *Lummus Technology Holdings I, LLC* (within our Corporate segment)—On June 30, 2020, we completed the sale of Lummus Technology (primarily represented by our former Technology reporting segment) and also entered into a strategic agreement (the "Strategic Agreement") with Lummus Technology and the buyer. The Strategic Agreement creates opportunities for future collaboration and will allow us to use legacy and new Lummus technologies in certain customer contracts and allow the parties to enter into certain joint opportunities in the future. In accordance with the sale agreement, we had the option to retain a 10% common equity ownership in the Lummus Technology business which we exercised on January 4, 2021 and acquired 10% of the common equity in Lummus Technology Holdings I, LLC, a holding company of Lummus Technology LLC. In addition, between the second and fifth anniversary of the Strategic Agreement effective date or immediately prior to the consummation of the Lummus Technology initial public offering ("IPO") we would have the one-time option to purchase a pro rata portion of common equity and preferred equity in the joint partnership in order to increase our ownership interest up to a maximum of 25% (the "Additional Option"). In the event we do not exercise the Additional Option in full (*i.e.*, to increase the ownership interest to the maximum of 25%) prior to the occurrence of an IPO or five years following the Strategic Agreement effective date, whichever occurs earlier, the buyer will have the right to purchase all of our outstanding interests in the Joint Partnership at a price that will provide an internal rate of return of 12% calculated on the implied equity value of the interest held by us as of the Strategic Agreement effective date (the "Buy-back Option"). The Buy-back Option does not expire. As of December 31, 2023 and December 31, 2022, the Additional Option was approximately $22 million (included in "Other non-current assets"). The fair value of the Buy-back Option was determined not to be significant. This joint venture was not a VIE as of December 31, 2023.
- *McDermott/CTCI* (within our Low-Carbon Solutions segment)—We have a 50%/50% joint venture with CTCI to perform EPC work for a liquids ethylene cracker and associated units in Sohar, Oman. We have determined the joint venture to be a VIE; however, we are not the primary beneficiary and therefore do not consolidate it. Our joint venture arrangement allows for excess working capital of the joint venture to be advanced to the joint venture participants. Such advances are returned to the joint venture for working capital needs as necessary. As of December 31, 2023 and 2022, Accrued liabilities on the Balance Sheets included $65.5 million related to advances from this joint venture.

- *io consulting* (within our Corporate segment)—We co-own several 50%/50% joint venture entities with Baker Hughes. io consulting is a project architect and systems integrator, focused on the early front-end phases of projects in the hydrocarbons and energy transition sectors, bringing specific techno-economic expertise integrated with the access to technology and execution know-how of their parent organizations. This joint venture was not a VIE as of December 31, 2023.
- *Qingdao McDermott Wuchuan Offshore Engineering Company Ltd.* (within our Corporate segment)—We have a 50%/50% joint venture with Wuhan Wuchuan Investment Holding Co., Ltd., a leading shipbuilder in China. This joint venture provides project management, procurement, engineering, fabrication, construction and pre-commissioning of onshore and offshore oil and gas structures, including onshore modules, topsides, floating production storage, off-loading modules, subsea structures and manifolds. This joint venture was not a VIE as of December 31, 2023.
- *Qatar Fabrication Company* (within our Offshore segment)—We have a joint venture with Qatar Gas Transport Company, Ltd. (Nakilat) (McDermott–40%/Nakilat–60%) to manage fabrication, construction and assembly of onshore and offshore structures for greenfield and brownfield oil and gas projects. We have determined the joint venture to be a VIE; however, we are not the primary beneficiary and therefore do not consolidate it.
- *McDermott/SBM* (within our Low-Carbon Solutions segment)—We have a joint venture with SBM Holding Inc. S.A. ("SBM") (McDermott–30%/SBM–70%) to perform the EPCI work for a floating production, storage, and offloading vessel for the Yellowtail development project in Guyana. We have determined the joint venture to be a VIE; however, we are not the primary beneficiary and therefore do not consolidate it.

On April 20, 2022, we sold our ownership interest in the Net Power LLC, a joint venture established to commercialize a new natural gas power generation system for approximately $220 million in cash. Transaction costs associated with the sale were approximately $3 million. The carrying value of this investment was insignificant and, accordingly, during the second quarter of 2022 we recognized approximately $217 million gain from the disposal of this joint venture.

Consolidated Joint Ventures

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

- *McDermott/Kentz*—We have a venture with Kentz Engineers & Constructors, a unit of SNC-Lavalin Group ("Kentz") (McDermott–65%/Kentz–35%), to perform the structural, mechanical, piping, electrical and instrumentation work on, and to provide commissioning support for, three LNG trains, including associated utilities and a gas processing and compression plant, for the Gorgon LNG project, located on Barrow Island, Australia. The project is complete. The joint venture remains in operation to complete various post-project activities.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8–SUPPLEMENTAL BALANCE SHEET DETAILS

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

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

(1) Restricted cash as of December 31, 2023, was primarily associated with $39 million placed in an escrow account in lieu of project related letter of credit; and $27 million and $4.5 million held as additional cash security and cash collateral, respectively, under the uncommitted bilateral credit facilities, discussed in Note 9, *Debt*. Restricted cash as of December 31, 2022, was primarily associated with cash collateral under the uncommitted bilateral credit facilities.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9—DEBT

The carrying values of our debt obligations were as follows:

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

Exit Facilities and Escrow LC Facility

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

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

The Cash Secured LC Facility was terminated on December 31, 2020 concurrently with the establishment of the Escrow LC Facility (as defined below). On December 31, 2020, we entered into a letter of credit agreement (the "Escrow LC Credit Agreement") with certain participants and issuers of letters of credit. The Escrow LC Credit Agreement initially provided for a letter of credit facility (the "Escrow LC Facility") for the issuance of up to $371 million face amount of letters of credit which was cash collateralized by the participants for the benefit of the letter of credit issuers under the Escrow LC Facility. We incurred approximately $32 million in fees in connection with the Escrow LC Facility, which were capitalized as issuance costs and are amortized into interest expense over the term of the facility. As of December 31, 2021, approximately $390 million was deposited by the participants under the Escrow LC Facility into a segregated escrow account as cash collateral for the benefit of the letter of credit issuers under the Escrow LC Facility. Concurrent with entering into the Escrow LC Credit Agreement, we amended the Emergence Credit Agreements to accommodate the Escrow LC Facility and document other matters. In connection with the Tanks Transactions (defined and described below), on September 8, 2023, the letter of credit commitments under the Escrow LC Facility were reduced from $371 million to approximately $303.6 million and the cash deposited by the participants in the segregated escrow account was reduced from approximately $390 million to approximately $318.8 million. We do not reflect the amount in the escrow account as an asset in our financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Term Loan Exit Facility recorded at the fair value of $417.5 million as of June 30, 2020, further adjusted for the accretion and accrued paid-in-kind ("PIK") interest. This facility originally matured in June 2025 and interest is based on McDermott's advanced election of either (1) the adjusted Term SOFR plus a margin of 4.00% per year or (2) the base rate (the highest of the prime rate, 0.50% per annum plus the Federal Funds Rate or 1% per annum plus the adjusted Term SOFR for an interest period of one month) plus a margin of 3.00%. Effective October 1, 2020, instead of paying the full interest amount in cash, we have elected to (1) pay in cash an amount of interest expense equal to the adjusted Term SOFR plus a margin of 1.00% per year, and (2) pay PIK interest in an amount equal to 3.00% per year. The PIK interest was added to the unpaid principal balance of the Term Loan Exit Facility.
- Make-Whole Exit Facility, rolled up from the DIP Term Facility and recorded at the fair value of $38 million as of June 30, 2020, further adjusted for the accretion. This facility originally matured in June 2024 and interest is based on our advanced election of either (1) the adjusted Term SOFR plus a margin of 3.00% per year or (2) the base rate (the highest of the prime rate, 0.50% per annum plus the Federal Funds Rate or 1% per annum plus the adjusted Term SOFR for an interest period of one month) plus a margin of 2.00%.

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

Each letter of credit issued under the Super Senior LC Exit Facility will accrue a participation fee at a rate equal to 4.75% per annum of the face amount; and each letter of credit issued under the Senior LC Exit Facility will accrue a participation fee at a rate equal to 3.50% per annum of the face amount of such letter of credit. Each letter of credit issued under the Super Senior Exit Facility and Senior LC Exit Facility will also accrue a fronting fee equal to 0.70% per annum of the daily maximum amount available to be drawn under such letter of credit. An unused commitment fee will also be payable to the lenders under the Super Senior Exit Facility and the Senior LC Exit Facility in an amount equal to 0.50% per annum of the amount of its unused commitments thereunder. Each letter of credit issued under the Escrow LC Facility will accrue a fronting fee of 1.50% per annum. In addition, in connection with the entry into the Escrow LC Credit Agreement, the participants received preference shares, par value US$0.001 per share, each in the capital of the Company designated as "Series A Preference Shares" (the "Series A Preference Shares") (described in Note 16, *Redeemable Preference Shares*).

The indebtedness and other obligations under the Exit Facilities and Escrow LC Facility are unconditionally guaranteed by MIL and substantially all of its direct and indirect wholly owned subsidiaries or affiliates, other than several captive insurance subsidiaries and certain other designated unrestricted subsidiaries or immaterial subsidiaries, and effective September 8, 2023, the Tanks Subsidiaries.

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

- Fixed Charge Coverage Ratio—if, as of the last day of any fiscal quarter, the certain permitted debt exceeds $500 million and liquidity is less than $450 million then, as of such date, the fixed charge coverage ratio for the four fiscal quarter period then ended could not or cannot, as applicable, be less than 1.60:1.00 for any four fiscal quarter period ending from September 30, 2023 through December 31, 2023. Testing of the Fixed Charge Coverage Ratio covenant has not been triggered as of December 31, 2023.
- Liquidity—Commencing September 30, 2023, we were required to maintain minimum Liquidity of not less than $100 million as of December 31, 2023.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As discussed in Note 1, *Nature of Operations and Organization,* on September 8, 2023, we executed the Transaction Support Agreement with certain lenders, which contemplated to execute an amendment and extension pursuant to a parallel UK and Dutch restructuring process. A condition precedent to the amend and extend transactions being effectuated was court approval in the English Proceeding, Dutch Proceedings, and Chapter 15 Proceeding. On March 25, 2024, the Amend and Extend Closing Date, we entered into an amendment to the credit agreements and the pledge security agreement (the "A&E Amendment") with the lenders, issuers and agents to the Exit Credit Agreement and the Escrow LC Credit Agreement, which amends the Exit Credit Agreement, the Escrow LC Credit Agreement and the pledge and security agreement, pursuant to which the maturity dates of the Super Senior LC Exit Facility, Senior LC Exit Facility, Make-Whole Exit Facility, Escrow LC Facility are extended to June 30, 2027 and the maturity date of the Term Loan Exit Facility is extended to December 31, 2027. On the Amend and Extend Closing Date, the letter of credit commitment amounts of the Super Senior LC Exit Facility, the Senior LC Exit Facility and the Escrow LC Facility were reduced to $509.6 million, $1,134 million and $299.8 million respectively, and were further reduced to $496.5 million, $1,105 million and $292 million, respectively, as of March 31, 2024. The combined capacity under these three facilities will be further reduced over the next two years to $1,494 million by December 31, 2026. The principal amount of the Term Loan Exit Facility was increased from $557 million (the initial principal of $500 million plus PIK interest of $57 million) to $626 million on the Amend and Extend Closing Date to account for the $69 million consent fees payable to the consenting lenders in the form of take-back term loans. On March 28, 2024, the $95 million standby letter of credit previously issued to Reficar under the Senior Exit LC Facility was drawn and is now deemed to be a borrowing of term loans ("LC Term Loans") that are *pari passu* in the waterfall with the Super Senior LC Exit Facility and an equal amount of the Senior LC Exit Facility commitments was automatically terminated. LC Term Loans shall accrue interest at a rate of SOFR plus 7.50% per annum and shall have a maturity date of June 30, 2027. As discussed in Note 1, *Nature of Operations and Organization,* under "Legal Matters", in accordance with ASC 855, *Subsequent Events*, the $95 million was recorded as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within "Advance billings on contracts" in our Consolidated Balance Sheets as of December 31, 2023. On March 28, 2024 we reclassified the $95 million from the loss provision within the "Advance billings on contracts" account to the "Long-term debt" account in our subsequent Consolidated Balance Sheets.

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

On the Amend and Extend Closing Date, we also entered into an escrow agreement with certain Senior LC Exit Facility participants, pursuant to which the Company deposited $7.5 million and for which the Company shall make additional deposits. It is expected that the escrow accounts will eventually hold $32.5 million in escrow. Those certain Senior LC Exit Facility participants shall be allowed to withdraw from the escrow account an amount equal to their pro rata participations for the principal of any unreimbursed Senior LC Exit Facility draw, in accordance with the terms of the Escrow Agreement. A failure of the Company to deposit cash to the escrow accounts shall not constitute any default under the Exit Credit Agreement or Escrow LC Credit Agreement.

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

Tanks Credit Facilities

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

As of December 31, 2023, the long-term debt of the Tanks Credit Facilities consisted of the Tanks Term Loan Facility recorded at the fair value of $213 million as of September 8, 2023, further adjusted for the accretion and accrued PIK interest. Principal under this facility, including the repayment premium of 12.5%, matures on December 31, 2026. Interest is based on our advanced election of either (1) the adjusted Term SOFR plus a margin of 7.50% per year or (2) the base rate (the highest of the prime rate, 0.50% per annum plus the Federal Funds Rate or 1% per annum plus the adjusted Term SOFR for an interest period of one month) plus a margin of 6.50%. Effective September 8, 2023, we have elected to accrue PIK interest based on the adjusted Term SOFR plus a margin of 7.50% per year. The PIK interest is added to the unpaid principal balance of the Tanks Term Loan.

Each letter of credit issued under the Tanks Senior LC Facility will accrue a participation fee at a rate equal to 4.75% per annum of the face amount (to be increased to 6.50% after December 8, 2024, 7.50% after June 8, 2025 and 8.50% after December 8, 2025). Each letter of credit issued under the Tanks Senior LC Facility will also accrue a fronting fee equal to 0.70% per annum of the daily maximum amount available to be drawn under such letter of credit. An unused commitment fee will also be payable to the lenders under the Tanks Senior LC Facility in an amount equal to 0.50% per annum of the amount of its unused commitments thereunder. Each letter of credit issued under the Tanks Escrow LC Facility will accrue a participation fee at a rate equal to adjusted Term SOFR plus 4.75% per annum of the face amount (to be increased to adjusted term SOFR plus 6.50% after December 8, 2024, adjusted Term SOFR plus 7.50% after June 8, 2025 and adjusted Term SOFR plus 8.50% after December 8, 2025). Each letter of credit issued under the Tanks Escrow LC Facility will accrue a fronting fee of 1.50% per annum.

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

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

Amazon Financing Facility

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

On February 19, 2021, we entered into a $285 million ECA-Backed Term Facilities Agreement with McDermott (Amazon Chartering), Inc. as borrower (the "Amazon Borrower"), MIL as parent guarantor and ABN AMRO Bank N.V. as agent (as amended, modified or otherwise supplemented from time to time, the "Amazon Financing") with a maturity date of December 31, 2033. The Amazon Financing has an interest rate of adjusted Term SOFR plus 1.70% per annum, with principal payments due quarterly beginning September 30, 2022 in equal installments of approximately $5.4 million. Borrowings under the Amazon Financing are irrevocably and unconditionally guaranteed by MIL and are secured by, among others, a pledge of all the equity of the Amazon Borrower, a mortgage on the *Amazon,* and a lien on substantially all the other assets of the Amazon Borrower. The use of proceeds of the Amazon Financing includes funding of the upgrade of the *Amazon*, refinancing the Amazon Owner's current financing, settling a portion of obligations associated with previous McDermott guarantees to the Amazon Owner for two separate interest rate swaps associated with the *Amazon*, and paying insurance premiums to the ECA to provide insurance coverage to the lenders. As of December 31, 2023, approximately $213 million was outstanding under the Amazon Financing.

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

Uncommitted Facilities

We are party to a number of short-term uncommitted bilateral credit facilities and surety bond arrangements (the "Uncommitted Facilities") across several geographic regions. As of December 31, 2023, capacity under the Uncommitted Facilities was approximately $1.7 billion. The financial institutions that provide the Uncommitted Facilities have no obligation to issue letters of credit or bank guarantees, or to post surety bonds, on our behalf, and they may be able to demand that we provide them with cash or other collateral to backstop these liabilities. Given the uncertainty in our business arising from the Reficar matter and the ongoing efforts to amend and extend our committed financing facilities we have been unable to issue new material letters of credit from our uncommitted facilities until the Amend and Extend Closing Date. As of December 31, 2023, we had approximately $4.5 million of cash restricted to secure reimbursement obligations in respect of letters of credit issued under the Uncommitted Facilities.

NOTE 10–LEASES

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On March 4, 2022, we executed an agreement with a third party to lease a portion of our corporate headquarters in Houston, Texas. The agreement represents a sublease as we will maintain the primary obligation under the original lease, which is classified as an operating lease in accordance with ASC 842, *Leases*. The sublease term commenced in May 2022 and will terminate in May 2036. In connection with the sublease agreement, during 2023 we recognized approximately $7 million of sublease income in selling, general and administrative expenses in our Consolidated Statements of Operations.

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

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

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

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

	Year ended December 31,	
	2023	2022
	(In millions)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 70	$ 64
Financing cash flows from finance leases	2	-
Non-cash information on lease liabilities arising from obtaining right-of-use assets		
Right-of-use assets obtained in exchange for new operating lease liabilities	15	28
Right-of-use assets obtained in exchange for new finance lease liabilities	8	-

NOTE 11—PENSION AND POSTRETIREMENT BENEFITS

Defined Contribution Plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Defined Benefit Pension and Other Postretirement Plans

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

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

Components of Net Periodic Benefit Cost

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

	Year ended December 31,	
	2023	2022
	(In millions)	
U.S. pension plans:		
Interest cost	$ 5	$ 12
Expected return on plan assets	(5)	(19)
Settlement gain	(11)	-
Actuarial mark to market loss [1]	-	16
Net periodic benefit (income) loss	$ (11)	$ 9
Non-U.S. pension plans:		
Interest cost	$ 23	$ 10
Expected return on plan assets	(20)	(14)
Other [2]	4	-
Actuarial mark to market loss [1]	52	24
Net periodic benefit loss	$ 59	$ 20
Other postretirement plans:		
Actuarial mark to market (gain) [1]	$ -	$ (3)
Net periodic benefit (income)	$ -	$ (3)

(1) Actuarial mark to market loss for the year ended December 31, 2023 was $52 million and was primarily associated with losses in the Netherlands and United Kingdom plans, $24 million and $28 million, respectively. Actuarial mark to market loss for the year ended December 31, 2022 was $37 million and primarily associated with losses in the United Kingdom and United States plans, $23 million and $13 million, respectively.

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

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

Amounts Recognized in Balance Sheet

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Our postretirement plans were in underfunded position as of December 31, 2023 and 2022 and were $13 million and $14 million, respectively, primarily included within Other non-current liabilities.

Change in Projected Benefit Obligation and Plan Assets

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

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

Accumulated Benefit Obligations—As of December 31, 2023 and 2022, the accumulated benefit obligation for all defined benefit pension plans was $625 million and $885 million, respectively. The following table includes summary information for those defined benefit plans with an accumulated benefit obligation in excess of plan assets:

	U.S. Pension Plans		Non-U.S. Pension Plans	
	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
	(In millions)		(In millions)	
Projected benefit obligation	$ 17	$ 17	$ 500	$ 349
Accumulated benefit obligation	17	17	500	349
Fair value of plan assets	7	6	365	246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2023	2022	2023	2022
Weighted average assumptions used to determine net periodic benefit obligations at December 31,				
Discount rate	5.19%	4.93%	3.43%	4.08%
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	3.77%	2.65%	0.20%	0.26%
Expected return on plan assets [1]	3.00%	3.85%	4.02%	4.11%

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

As benefit accruals under the each of the plans are frozen, future pay is not projected in the determination of the benefit obligation as of December 31, 2023 and 2022.

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

	Effect on	
	Pretax Pension Expense in 2023 [1]	Pension Benefit Obligation at December 31, 2023
	(in millions)	
25-basis-point change in discount rate	15	15

(1) A 25-basis-point change in the expected rate of return on plan assets would not have a material impact on pretax pension expense in 2023.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Asset category	(In millions)			
Fixed income securities:				
U.S. fixed income securities	$ -	$ 2	$ -	$ 2
International government bonds [1]	-	106	-	106
International corporate bonds [2]	-	41	-	41
International mortgage funds [3]	-	36	-	36
All other fixed income securities [4]	-	23	-	23
Equity securities:				
International funds [5]	-	46	-	46
Emerging markets growth funds	-	1	-	1
U.S. equity funds	-	4	-	4
Other investments:				
Asset allocation funds [6]	-	6	-	6
Cash and accrued items	11	-	-	11
Insurance buy-in policies [7]	-	-	207	207
Total Investments	$ 11	$ 265	$ 207	$ 483

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

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

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

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

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

Health Care Cost Inflation—As noted above, we provide specific postretirement health care benefits for eligible retired U.S. employees and their dependents. Eligible current retirees can elect coverage on a retiree-pay-all basis; there is no longer a company subsidy for the cost of coverage. Future retirees and new employees are not eligible for these post-retirement health care benefits. Additionally, there is a closed group of retirees for which we assume some or all of the cost of coverage. For this group, health care cost trend rates are projected at annual rates ranging from 6.75% in 2024, down to 5.00% in 2031 and after. A change in the assumed health care cost trends by one percentage point would not have a material impact on the total service and interest cost components of net postretirement health care cost for 2023 and the accumulated postretirement benefit obligation as of December 31, 2023.

Multi-Employer Pension Plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(1) Pension Protection Act Zone Status and FIP/RP plans are applicable to our U.S.-registered plans only, as these terms are not defined within Canadian pension legislation. In the United States, plans funded less than 65% are in the red zone, plans funded at least 65%, but less than 80%, are in the yellow zone, and plans funded at least 80% are in the green zone. The requirement for FIP or RP plans in the United States is based on the funding level or zone status of the applicable plan.

(2) Our 2023 contributions as a percentage of total plan contributions were not available for any of our plans. The level of our contributions to each plan noted above varies from period to period based upon the level of work being performed that is covered under the applicable collective bargaining agreement.

(3) The expiration dates of our labor agreements associated with the plans noted as "Various" vary based upon the duration of the applicable projects.

(4) If a revised collective-bargaining agreement has not been concluded before the expiration date of this Agreement, it may be extended beyond that date to whatever extent may be mutually agreed to between the Union and the BCA of Alberta, or as provided by applicable laws, statutes or regulations.

(5) The plans utilized an amortization extension. Additionally, in March 2023 the Trustees adopted a rehabilitation plan to emerge from critical status by 2046. The fund's rehabilitation period begins on January 1, 2026 for the plan.

(6) Our remaining contributions in 2023 to various U.S. and Canadian plans were individually immaterial.

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

NOTE 12—FAIR VALUE MEASUREMENTS

Fair value of financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the fair value of our financial instruments as of December 31, 2023 and 2022 that are (1) measured and reported at fair value in the financial statements on a recurring basis and (2) not measured at fair value on a recurring basis in the financial statements:

	December 31, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In millions)				
Measured at fair value on recurring basis					
Forward contracts [1]	$ (6)	$ (6)	$ -	$ (6)	$ -
Not measured at fair value on recurring basis					
Debt [2]	(1,011)	(685)	-	(467)	(218)

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

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

(2) The fair values of the Term Loan Exit Facility, Make-Whole Exit Facility and Tanks Term Loan Facility were determined using a trading price of these instruments as of each respective date and were classified as Level 2 within the fair value hierarchy.

Quoted prices were not available for the *Amazon* financing facility, therefore, the fair values of this instrument were based on the present value of future cash flows discounted at estimated borrowing rates for similar debt instruments or on estimated prices based on current yields for debt of similar quality and terms and were classified as Level 3 within the fair value hierarchy.

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

Fair value of non-financial instruments

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

In the fourth quarter of 2023, we recognized approximately a $9 million impairment charge, related to the abandoned development of a cloud computing solution and redundant software. There were no impairment indicators present for our investments in unconsolidated subsidiaries and long-lived assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13—DERIVATIVE FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Derivatives—The notional value of our outstanding foreign exchange rate derivative contracts designated as cash flow hedges totaled approximately $1.5 billion as of December 31, 2023, with maturities extending through October 2024. These instruments consist of contracts to purchase or sell foreign-denominated currencies. As of December 31, 2023, the fair value of these contracts was in a net liability position totaling approximately $2 million. The fair value of outstanding derivative instruments is determined using observable financial market inputs, such as quoted market prices, and is classified as Level 2 in nature. As of December 31, 2023, in connection with these instruments, we deferred approximately $59 million of net losses in AOCI, and we expect to reclassify approximately $27 million of deferred losses out of AOCI by December 31, 2024, as the hedged items impact earnings.

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

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

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

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

As of December 31, 2023 and 2022, the fair value of derivatives not designated as cash flow hedges was in a net liability position totaling approximately $4 million and $6 million, respectively (primarily within "Accrued liabilities" in our Balance Sheet). The notional value of these derivatives was $194 million and $63 million as of December 31, 2023 and 2022, respectively.

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

	Year ended December 31,			
	2023		2022	
	(In millions)			
Amount of gain (loss) recognized in OCI				
Foreign exchange hedges	$	(39)	$	(79)
Interest rate hedges		-		13
Gain (loss) recognized on derivatives designated as cash flow hedges				
Foreign exchange hedges				
Cost of operations		(36)		(32)
Interest rate hedges				
Interest gain		8		7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14–INCOME TAXES

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

The components of our income tax expense were as follows:

	Year ended December 31,	
	2023	2022
	(In millions)	
U.S.:		
Current [1]	$ (6)	$ 5
Other than U.S.:		
Current [2]	112	100
Deferred	9	(3)
	$ 115	$ 102

[1] The U.S. current tax expense for the year ended December 31, 2023 consists of state taxes benefit attributable to the release of reserve for a state tax audit. The U.S. current tax expense for the year ended December 31, 2022 consisted of state taxes attributable to the sale of Net Power LLC and additional reserve for a state tax audit.

[2] The majority of the non-U.S. current tax expense is attributable to withholding taxes, taxes accrued on unrecognized tax benefits and taxes accrued and paid under deemed profits regimes.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

As of December 31, 2023 and 2022, we did not provide deferred income taxes on temporary differences of our subsidiaries which are indefinitely reinvested. The amount of those temporary differences as of December 31, 2023 and 2022 were approximately $182 million and $161 million, respectively, the reversal of which would result in withholding tax of approximately $13.4 million and $12.8 million, respectively. We do not foresee having to reverse the outside basis differences in those entities as our cash and debt structure allows us to access funds from sources other than our United States subsidiary and its foreign subsidiaries, which can be used to fund our U.S. and non-U.S. operations and service the debt. Deferred income taxes are provided as necessary with respect to basis differences that are not indefinitely reinvested.

Valuation Allowance

As of December 31, 2023, we had a VA of approximately $1.5 billion for DTAs that we expect cannot be realized through carrybacks, future reversals of existing taxable temporary differences or based on our estimate of future taxable income. After completion of a business combination in 2018, we incurred losses primarily resulting from goodwill impairment during years ended December 31, 2020 and 2019. Additional losses incurred in 2021 through 2023 were attributable to restructuring activities and related expenses, including Reficar legal matter. As a result, we have a cumulative consolidated loss for the three years ended December 31, 2023. Accordingly, in assessing the positive and negative evidence related to the likelihood of utilizing the U.S. and non-U.S. DTAs, and giving consideration to all such evidence, we believe we are precluded from using projections of future book income to support our DTAs because we believe the negative evidence outweighs the positive and have concluded that it is unlikely that we would utilize our DTAs as of December 31, 2023.

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

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

Other

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

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

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

We conduct business globally and, as a result, we or our various affiliated entities file income tax returns in a number of jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as Malaysia, Australia, Indonesia, Saudi Arabia, Kuwait, India, Qatar, Brunei, Mozambique, the United Kingdom, the Netherlands, Canada and the United States. With few exceptions, we are no longer subject to tax examinations for years prior to 2012.

A reconciliation of unrecognized tax benefits is as follows:

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

Approximately $59 million of the balance of unrecognized tax benefits at December 31, 2023 would reduce our effective tax rate if recognized. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. At December 31, 2023 and 2022, we recorded liabilities of approximately $11 million and $23 million, respectively, for the payment of tax-related interest and penalties.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As discussed in Note 1, *Nature of Operations and Organization*, the Reficar Resolution Agreement, among other things, provides for consideration to Reficar including $75 million in Series B Preference Shares (as defined and described in Note 16, *Redeemable Preference Shares*) in McDermott International, Ltd that are convertible upon certain conditions into up to 19.9% of Class B non-voting ordinary shares in McDermott International, Ltd. In connection therewith, the Board and the requisite holders of ordinary shares approved the amended and restated by-laws of the Company which, among other things, (i) redesignates the ordinary shares of the Company into Class A ordinary shares, par value $0.001 per share (the "Class A Ordinary Shares"), and Class B ordinary shares, par value $0.001 per share (the "Class B Ordinary Shares," and together with Class A Ordinary Shares, the "Ordinary Shares") and (ii) increases the authorized share capital of the Company from 800 million shares to 2,400 million shares.

Warrants—On the Effective Date, MIL issued the Warrants (Tranche A and Tranche B) to the extent required to provide for distributions to holders of the Senior Notes claims, as contemplated by the Plan of Reorganization, to purchase up to an aggregate of 59.6 million shares of the MIL, par value $0.001 at an exercise price per ordinary share for the Tranche A Warrants and the Tranche B Warrants of $12.33 and $15.98, respectively, per ordinary share. The Warrants are equity classified and, upon issuance, had a value of $148 million, and were recorded in Capital in excess of par value. The Warrant fair value was a Level 2 valuation and was estimated using the Black Scholes valuation model. In connection with the issuance of an aggregate of 340 million ordinary shares on December 31, 2020, we adjusted, on March 4, 2021, the exercise price and the number of ordinary shares into which each of the Tranche A Warrants and Tranche B Warrants is exercisable. As adjusted, the exercise price for the Tranche A Warrants and the Tranche B Warrants is $6.92 and $8.97, respectively, and the total number of ordinary shares issuable upon exercise of the Tranche A Warrants and the Tranche B Warrants is 50.3 million and 55.9 million, respectively. The Warrants are exercisable until the expiration date, which is the earlier of June 30, 2027 or the date of voluntary or involuntary dissolution, liquidation, or winding up of the affairs of MIL. Each Warrant entitles the holder to purchase one fully paid and non-assessable ordinary share at a price equal to the exercise price.

Management Incentive Plan—Under management equity incentive plans (the "MIP") we can award stock-based compensation, in form of restricted stock units and performance shares or units, management employees and members of our board of directors. Compensation expense associated with the MIP was approximately $4 million and $3 million during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the unrecognized compensation expense was approximately $5 million and will be recognized over a weighted-average period of approximately two years.

Accumulated Other Comprehensive Income (Loss)—The following table presents the components of AOCI and the amounts that were reclassified during the periods indicated:

	Foreign currency translation adjustments	Net unrealized gain (loss) on derivative financial instruments (1)	Other	Total
		(In millions)		
December 31, 2021	$ (12)	$ (7)	$ 1	$ (18)
Other comprehensive loss before reclassification	(6)	(66)	-	(72)
Amounts reclassified from AOCI (2)	-	25	(1)	24
Net current period other comprehensive loss	(6)	(41)	(1)	(48)
December 31, 2022	$ (18)	$ (48)	$ -	$ (66)
Other comprehensive loss before reclassification	5	(39)	(3)	(37)
Amounts reclassified from AOCI (2)	-	28	-	28
Net current period other comprehensive loss	5	(11)	(3)	(9)
December 31, 2023	$ (13)	$ (59)	$ (3)	$ (75)

(1) Refer to Note 13, *Derivative Financial Instruments*, for additional details.
(2) Amounts are net of tax, which was not material during periods presented.

NOTE 16—REDEEMABLE PREFERENCE SHARES

On December 31, 2020, as consideration for entering into the Escrow LC Credit Agreement, the participants were issued 220,000 Series A Preference Shares. The fair value of 220,000 Series A Preference Shares was based on the income approach, using a calculation of the present value of future cash flows based on our financial projections. The carrying value of 220,000 shares of Series A Preference Shares was approximately $276 million and $214 million as of December 31, 2023 and 2022, respectively. In connection with issuance of 220,000 Series A Preference Shares we recognized $26 million and $26 million in Other current assets and Other non-current assets, respectively, as of December 31, 2023, and $26 million and $52 million in Other current assets and Other non-current assets, respectively, as of December 31, 2022. These assets are amortized into Interest expense, net through the expected redemption date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

In connection with the Reficar Resolution Agreement, discussed in Note 1, *Nature of Operations and Organization,* on March 25, 2024, the Company issued $75 million aggregate principal amount of non-voting preference shares, par value US$0.001 per share, each in the capital of the Company designated as Series B Redeemable Preference Shares (the "Series B Preference Shares") to Reficar. In accordance with ASC 855, *Subsequent Events*, we recorded $66 million representing the fair value of the Series B Preference Shares as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within "Advance billings on contracts" in our Consolidated Balance Sheets as of December 31, 2023. To determine the fair value of our Series B Preference Shares, we first performed a business enterprise valuation ("BEV") using a weighted approach between a discounted cash flow analysis and an assessment using the guideline public company method. We determined the fair value of our equity by considering our BEV as well as calculating the fair value of our debt and equity securities. The fair value of the Series B Preference Shares was determined using a lattice model. The valuation was primarily based on level 3 inputs that are not observable in the market.

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

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

NOTE 17—COMMITMENTS AND CONTINGENCIES

Investigations and Litigation

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

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

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

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

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

As of September 30, 2023, we recorded a reserve of $1,334 million for the Reficar matter, which was inclusive of the $938 million damages award, $59 million of legal costs awarded, and $337 million in interest through September 30, 2023. Upon reaching the Reficar Resolution Agreement, in accordance with Accounting Standards Codification ("ASC") 855, *Subsequent Events*, effective December 31, 2023, we (1) reversed the reserve of $1,334 million; and (2) recorded a reserve of $196 million, comprised of (a) $66 million representing the fair value of the Series B Preference Shares (as defined and described in Note 16, *Redeemable Preference Shares*), (b) $95 million letter of credit held by Reficar that will be deemed to be a borrowing under the LC Term Loans upon being drawn by Reficar (as defined and described in Note 9, *Debt*), (c) $26 million representing the expected value of proceeds estimated to be recoverable by Reficar from applicable insurance (determined using the sum of probability-weighted possible amounts of insurance recovery), and (d) $9 million of advisor costs reimbursable by us to Reficar. The reserve of $196 million has been recognized as a reduction to revenue for the year ended December 31, 2023 in our consolidated Statement of Operations and an increase in loss provision within "Advance billings on contracts" in our Consolidated Balance Sheets as of December 31, 2023.

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

Chevron Arbitration—We are involved in an arbitration proceeding (governed by the arbitration rules of the United Nations Commission on International Trade Law) entitled CBI Constructors Pty & Kentz Pty Ltd vs. Chevron Australia Pty Ltd., which was commenced on or about May 17, 2017, with the customer for one of CB&I's previously-completed consolidated joint venture projects, regarding differing interpretations of the contract related to reimbursable billings. The matter was bifurcated, with hearings on entitlement held in November 2018. In December 2018, the tribunal issued an award on entitlement, finding that the joint venture was not overpaid for its craft labor but that certain overpayments may have been made to the joint venture for its staff labor. Hearings on the amount of damages related to the joint venture's staff costs began in August 2020. In September 2020, the tribunal issued an interim award favorable to the joint venture, after which the respondent in the arbitration (the customer) applied to an Australian court to set aside the tribunal's September 2020 interim award. The hearing on that application was held before the Australian court in June 2021. In September of 2021, the Australian court entered a decision in favor of the customer setting aside the interim award. The joint venture appealed that court decision, and the appeal hearing occurred on September 8-9, 2022. The decision on appeal was issued on or about January 17, 2023 affirming the lower court decision. The joint venture filed an application for appeal to the High Court of Australia. The High Court of Australia heard oral argument on our application in November 2023 and granted the joint venture leave to appeal. A schedule for submissions was issued and we expect oral argument on our appeal to be set in the second or third quarter of 2024. As of December 31, 2023, we have recorded a reserve of approximately $20 million for this matter.

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

On June 5, 2023, Baystar filed an arbitration demand (governed by the arbitration rules of the American Arbitration Association) against CB&I entitled Bayport Polymers LLC v. CB&I LLC seeking to recover $75.4 million in alleged delay-based Liquidated Damages ("LDs") on the BB3 Project. CB&I denies liability for LD's and asserted defenses and claims against Baystar for, e.g., waiver, oral modification, and owner interference. CB&I asserts and plans to file counterclaims to recover unpaid invoices in the amount of approximately $69.5 million and other amounts that are being evaluated. In addition to initiating the arbitration, Baystar attempted to draw $75.4 million on a performance letter of credit ("LC") issued in connection with the BB3 project (the "Barclays LC"). On June 8, 2023, CB&I successfully obtained a Temporary Restraining Order prohibiting Baystar from drawing any LCs relating to the BB3 and Cracker Project, and CB&I sought a temporary injunction enjoining Baystar from drawing on the Barclay's LC related to the BB3 Project during the pendency of arbitration relating to the project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In February 2024, BP initiated a Request for Arbitration against MMCL and MIMI under London Court of International Arbitration ("LCIA") Rules and English Law. BP alleges that it is entitled to the maximum amount of delay-based Liquidated Damages, approximately $40 million, which MMCL denies based upon BP's invocation of Force Majeure and absence of a project schedule. BP also alleges material and repudiatory breach of the contract and seeks to recover its alleged additional cost paid to third parties above the amounts that were to be paid by MMCL for the contract work. BP alleges that it has spent a total of $434 million to date, of which it claims approximately $237 million as "additional cost" recoverable from MMCL . BP also alleges that it estimates that it could incur $761 million to complete the remaining work and would seek to recover from MMCL the delta, if any, between that and amounts that would have been paid to MMCL for the work. Those amounts are not determined at this time and will be contested in arbitration.

MMCL denies any liability to BP on these claims and intends to file counterclaims to recover unpaid invoices for work already performed (in excess of $300 million) plus other damages and claims that are being developed. We expect that each party will also seek to recover interest, arbitration costs and expenses.

At this time, we do not believe a risk of material loss is probable related to this matter.

Asbestos Litigation—We are a defendant in numerous lawsuits wherein plaintiffs allege exposure to asbestos at various locations. We review and defend each case on its own merits and make accruals based on the probability of loss and best estimates of potential loss. We do not believe any unresolved asserted claim will have a material adverse effect on our future results of operations, financial position or cash flow. With respect to unasserted asbestos claims, we cannot identify a population of potential claimants with sufficient certainty to determine the probability of loss or estimate future losses. We do not believe a risk of material loss is probable related to these matters, and, accordingly, our reserves were not significant as of December 31, 2023. While we continue to pursue recovery for recognized and unrecognized contingent losses through insurance, indemnification arrangements and other sources, we are unable to quantify the amount that we may recover because of the variability in coverage amounts, limitations and deductibles or the viability of carriers, with respect to our insurance policies for the years in question.

Post-Combination McDermott Securities Litigation—On November 15, 2018, a complaint was filed in the United States District Court for the Southern District of Texas seeking class action status on behalf of purchasers of MII common stock and alleging damages on their behalf arising from allegedly false and misleading statements made during the class period from December 18, 2017 to November 5, 2019. The case is captioned: Edwards v. McDermott International, Inc., et al., No. 4:18-cv-04330 (the "Edwards Action"). The defendants in the case are: MII; David Dickson, MII's former President and Chief Executive Officer; and Stuart Spence, MII's former Chief Financial Officer. The plaintiff alleges that the defendants made material misrepresentations and omissions about the integration of the CB&I business, certain CB&I projects and their fair values, and MII's business, prospects and operations. The plaintiff asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 thereunder. On January 14, 2019, a related action was filed in the United States District Court for the Southern District of Texas seeking class action status on behalf of all holders of MII common stock as of April 4, 2018 who had the right to vote on the Combination. Before being consolidated with the Edwards action, the case was pending in the same court as the Edwards action and captioned: The Public Employees Retirement System of Mississippi v. McDermott International, Inc., et al., No. 4:19-cv-00135 (the "MSPERS Action"). That plaintiff alleges that the defendants made material misrepresentations and omissions in the proxy statement used by MII in connection with the Combination and asserts claims under Section 14(a) and 20(a) of the Exchange Act. The defendants filed a motion to consolidate the two Actions, and the court granted that motion on February 22, 2019. The court appointed lead plaintiffs for both sets of claims on June 5, 2019. The MSPERS plaintiff subsequently filed an amended pleading to, among other things, add CB&I and CB&I's former chief executive officer as additional defendants. On January 30, 2020, MII filed motions to dismiss all of the claims in both the Edwards Action and the MSPERS Action. These motions were denied on or about March 31, 2021, and fact discovery is proceeding. In the MSPERS Action, following motions for class certification and a hearing before the Magistrate Judge, the Magistrate Judge recommended that class certification be denied, which the Judge for the Southern District of Texas rejected on September 30, 2023. The plaintiffs filed a new class certification motion in November 2023 and the parties are now awaiting a decision on class certification in the MSPERS Action from the District Judge. In the Edwards Action, following motions for class certification and a hearing before the Magistrate Judge, the Magistrate Judge recommended that the motion for class certification be denied, but without prejudice to a motion to certify two subclasses of shareholders consisting of (i) persons who acquired MII common stock between December 18, 2017 and November 5, 2019 and who held stock in CB&I during that period, and (ii) persons who acquired MII common stock during that period but never held CB&I stock during that period. On March 25, 2024, the Judge for the Southern District of Texas adopted the Magistrate Judge's recommendation to deny the motion for class certification without prejudice to a motion to certify the two subclasses identified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On or about August 17, 2020, a complaint was filed in the United States District Court for the Southern District of Texas by individual plaintiffs based on allegations similar to those alleged in the Edwards action. The case is captioned *Kingstown Partners Master Ltd. et al. v. David Dickson et al.*, No. 4:20-cv-02880 (the "Kingstown Action"). The defendants are the same as in the Edwards action. Plaintiffs assert causes of action based on alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 thereunder. On November 13, 2020, the defendants filed a motion to dismiss the Kingstown action. On November 24, 2020, the court entered a stipulation and order extending the plaintiffs' deadline to respond to the motion to dismiss from December 4, 2020 to 45 days after the magistrate judge issues a report and recommendation on the pending motion to dismiss in the Edwards action. The court denied the motion to dismiss on August 23, 2021. Fact discovery is proceeding in the Kingstown Action.

We do not believe a material loss is probable related to these matters and, accordingly, no amounts have been accrued as of December 31, 2023. We believe the claims are without merit and we intend to defend against them vigorously.

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

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

External Counsel has also advised that the Higher Customs Committee decision can be relied upon to challenge the ZATCA claims relating to imports during 2021. We do not believe a risk of material loss is probable related to this matter and, accordingly, no amounts have been accrued as of December 31, 2023. We believe the audit reports are incorrect, and we continue to challenge the remaining $10.5 million assessment vigorously.

Environmental Matters

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

In connection with the historical operation of our facilities, including those associated with acquired operations, substances which currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. In addition, we have agreed to indemnify parties from whom we have purchased or to whom we have sold facilities for certain environmental liabilities arising from acts occurring before the dates those facilities were transferred. Generally, however, where there are multiple responsible parties, a final allocation of costs is made based on the amount and type of wastes disposed of by each party and the number of financially viable parties, although this may not be the case with respect to any particular site. We have not been determined to be a major contributor of waste to any of these sites. On the basis of our relative contribution of waste to each site, we expect our share of the ultimate liability for the various sites will not have a material adverse effect on our consolidated financial condition, results of operations or cash flows in any given year.

We believe we are in compliance, in all material respects, with applicable environmental laws and regulations and maintain insurance coverage to mitigate our exposure to environmental liabilities. We do not anticipate we will incur material capital expenditures for environmental matters or for the investigation or remediation of environmental conditions during 2024. As of December 31, 2023, we had no material environmental reserves recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contracts Containing Liquidated Damages Provisions

Some of our contracts contain provisions that require us to pay liquidated damages if we are responsible for the failure to meet specified contractual milestone dates and the customer asserts a claim under those provisions. Those contracts define the conditions under which our customers may make claims against us for liquidated damages. In many cases in which we have historically had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. As of December 31, 2023 and 2022, we determined that we had approximately $663 million and $494 million of potential liquidated damages exposure based on performance under contracts to date, respectively. Based on our performance and commercial and legal analysis, we believe we have appropriately recognized probable liquidated damages of $51 million and $3 million as reductions in transaction prices related to such exposure as of December 31, 2023 and 2022, respectively. Significant potential liquidated damages exposures included in the $663 million are: (1) an exposure for $71 million, where we have asserted our change in laws rights in the contract and are pending relief from the customer; (2) an exposure for $59 million, where we expect our completion timing to be aligned with the customers' ability to use the facilities and are pending relief from the customer; (3) a combined exposure for $170 million on the Baystar projects, discussed under "Baystar Arbitrations" above, where we recorded approximately $47.5 million as a reduction to revenue in the second quarter of 2023; (4) an exposure for $69 million, where we are pending relief from the customer on a schedule extension; (5) an exposure for $45 million, where we are preparing an extension of time claim and expect to receive the customer approval; and (6) an exposure for $40 million, discussed under "BP Tortue Arbitration" above.

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

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

NOTE 18—SEGMENT REPORTING

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

Our CODM reviews financial results under four operating groups, which represent our business line reporting segments consisting of (1) Low-Carbon Solutions, focused on energy transition, including high voltage direct current platforms, LNG, differentiated project solutions, such as FEED conversions and modularization, and Lummus Technology pull-through projects; (2) Offshore Middle East, focused on shallow water offshore projects in the Middle East; (3) Subsea and Floating Facilities, focused on subsea, floating facilities and fixed facilities projects outside of the Middle East; and (4) CB&I, representing our storage solutions business.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue and operating results were as follows:

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

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

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

Depreciation and amortization expense and capital expenditures were as follows:

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

(1) Capital expenditures represent cash purchases.

(2) Corporate capital expenditures during the year ended December 31, 2022 were primarily related to capital expenditures associated with the *Amazon* vessel, including those financed under the "Amazon Financing Facility", discussed in Note 9, *Debt*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment assets were as follows:

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

Significant Customer Information

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

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

Operating Information by Geography

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

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

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

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

NOTE 19—SUBSEQUENT EVENTS

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

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Annual report 2023

Board of director's report

Annual accounts

- Income statement
- Balance sheet
- Cash flow statement
- Notes

Auditor's report

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Årsberetning 2023 J. Ray McDermott (Norway) AS

Virksomhetens art og lokalisering
J. Ray McDermott (Norway), AS ("Selskapet") har registrert adresse i Oslo. Selskapets virksomhet er å investere i offshore og tilknyttede industrier, herunder investering i andre selskaper og sammenslutninger. Selskapet eier skipet North Ocean 102.

Fortsatt drift
Siden 2021 har McDermott-konsernet hatt ugunstige endringer i estimater på enkelte utfordrende prosjekter. Disse prosjektene har forårsaket en betydelig belastning på konsernets likviditet, noe som ytterligere er forverret av profesjonelle og juridiske kostnader knyttet til en betydelig rettssak (Reficar-saken), samt endring og forlengelse av våre finansieringsfasiliteter. Denne usikkerheten har ført til at våre kunder, leverandører og banker opptrer mer forsiktig når de gjør forretninger med oss. Som et resultat konkluderte vi i Konsernets regnskap for andre og tredje kvartal i 2023 at det eksisterte betydelig tvil om Konsernets evne til å fortsette som en levedyktig virksomhet. Følgelig, ettersom J. Ray McDermott Norges operasjoner i stor grad er avhengige av interne transaksjoner, ble denne konklusjonen utvidet til den norske enheten for 2022 regnskapet, som ble utstedt sent i 2023.

For vurderingene pr fjerde kvartal 2023 mener vi at vår strukturelle reorganisering og ringfencing av Tanks-datterselskapene og strategiske endringer i vår virksomhet har påvirket vår økonomiske situasjon positivt i de siste kvartalene. Våre kundeforhold og leverandørforhold har forbedret seg betydelig; vi fortsetter imidlertid å overvåke prestasjonsrisikoer nøye. Vi jobber aktivt med å løse vår uautoriserte endringsordreposisjon og eksponering for dagbøter med våre kunder, og vi optimaliserer utnyttelsen av vår kapasitet for remburs. I tillegg er vi fokusert på å håndtere risikoer rundt forsyningskjeden for å sikre fortsatt fremgang i prosjektporteføljen. Vi mener at disse initiativene og den nylige forlengelsen og endringen av våre kredittavtaler og vellykket oppheving av Reficar voldgiftsavgjørelsen gjennom restruktureringsprosesser opphever den

Directors' report 2023 J. Ray McDermott (Norway) AS

Operations and location
J. Ray McDermott (Norway), AS (the "Company") has its registered address in Oslo. The objective of the Company is to invest in offshore and related industries, including investment in other companies and entities. The Company owns the Vessel North Ocean 102.

Going concern
Since 2021, the McDermott Group have recognized material unfavorable changes in estimates on a focused group of challenging projects. These projects caused a significant strain on the Group's liquidity, which has been further exacerbated by professional and legal costs associated with a significant litigation matter (the Reficar- case) and the amendment and extension of our financing facilities. This uncertainty has caused our customers, vendors, and banks to behave more cautiously when doing business with us. As a result, in the Group's financial statements for second and third quarter financial statements in 2023, we concluded there existed substantial doubt about the Group's ability to continue as a going concern. Consequently, as J. Ray McDermott Norway's operations are substantially intercompany dependent, this conclusion was extended to the Norwegian entity for the 2022 financial statements which was issued late in 2023.

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

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betydelige tvilen som eksisterte i tidligere perioder om selskapets evne til fortsatt drift.

Årsregnskapet for 2023 er derfor avlagt under forutsetningen om fortsatt drift og vi bekrefter at denne forutsetningen er tilstede.

substantial doubt about the Company's ability to continue as a going concern that existed in prior periods.

Hence, the financial statements for 2023 are prepared under the going concern assumption and at that this assumption is valid.

Redegjørelse for årsregnskapet
Selskapet var ikke utsatt for særskilte faktorer som påvirker virksomheten utover hva som er vanlig for en virksomhet i offshorebransjen.

Årsresultatet var USD 54 002 060.

Totalkapitalen ved utgangen av året var USD 143 608 338.

Bokført egenkapitalgrad per 31. desember 2023 var 98.94%.

Selskapet har ingen utlegg til forskning og utvikling.

Discussion on the financial statements
The Company is not subject to any specific factors influencing its business beyond what is normal for a company in the offshore industry.

The annual result was USD 54 002 060.

Total assets by the end of the year were USD 143 608 338.

Equity ratio as of 31 December 2023 was 98.94%.

The Company has no research and development expenses.

Arbeidsmiljø og likestilling
Selskapet har ingen ansatte. Selskapets styre består av 2 menn. Selskapet kjenner til samfunnets forventinger, men Selskapet har ikke satt i verk spesielle tiltak.

Work environment and equal opportunities
There are no employees in the Company and the board consists of two men. The Company is aware of the community's expectations, but no special effort has been made.

Ytre miljø
Alle skip i 100 serie blir klassifisert i henhold til DNVs Clean Class regelverk for minimalisert utslipp til ytre miljø.
Rederiets utslipp til luft er i hovedsak forbrenningsgasser fra skipets hovedmaskineri. Det gjennomsnittlige innhold av svovel i forbrukt bunkers er lavere enn 0.2% i Europa, men noe høyere i andre geografiske områder.
Avfallshåndteringen blir utført i henhold til MARPOL – regelverket.

External environment
All vessels in the 100 series are classified after DNV's Clean Class regulation to keep external pollution at a minimum. Engines of the vessel are the main source of pollution to the environment. On average, bunkering being used in Europe consists of less than 0.2% Sulphur. This might be higher in other geographic areas.
Waste Disposal is carried out in accordance with the MARPOL Convention.

Oslo, 28 June 2024

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Anthony Brown
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Anthony C. Brown
Chairman/Styrets leder

DocuSigned by:
Michael Middel
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Michael Abraham Middel
Director/Styremedlem

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J.Ray Mcdermott (Norway), AS

Income statement 01.01-31.12

USD	Note	2023	2022
Revenue			
Bareboat Charter income	2	16 962 280	16 962 280
Operating expenses			
Depreciation of tangible and intangible fixed assets	3	731 469	731 469
Other operating expenses	4	1 619 636	50 887
Impairment of investment in subsidiary	5	0	14 821 516
Total operating expenses		2 351 105	15 603 872
Operating result		14 611 175	1 358 408
Financial income and expenses			
Other financial income		79	3 179
Dividend from North Ocean 105 AS (Liquidated)	5	39 393 222	0
Other financial expenses		15	0
Net financial items		39 393 287	3 179
Ordinary result before tax		54 004 462	1 361 587
Tax on ordinary result	6	2 402	2 402
Net profit or loss for the year		**54 002 060**	**1 359 185**
Allocated as follows			
Transferred to other equity	7	54 002 060	1 359 185

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J.Ray Mcdermott (Norway), AS

Balance sheet as of December 31

USD	Note	2023	2022
Fixed assets			
Tangible assets			
Vessels	3	11 256 493	11 987 962
Total tangible assets		11 256 493	11 987 962
Financial assets			
Investments in subsidiaries	5	0	0
Total financial assets		0	0
Total fixed assets		11 256 493	11 987 962
Current assets			
Receivables			
Intercompany receivables	8	132 338 453	76 248 158
Other short-term receivables		13 392	0
Total receivables		132 351 845	76 248 158
Total current assets		132 351 845	76 248 158
Total assets		143 608 338	88 236 120

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J.Ray Mcdermott (Norway), AS

Balance sheet as of December 31

USD	Note	2023	2022
Equity			
Paid-in capital			
Share capital	7, 9	34 321	34 321
Share premium reserve	7	29 815 313	29 815 313
Total paid-in capital		29 849 634	29 849 634
Retained earnings			
Other equity	7	112 232 190	58 230 130
Total retained earnings		112 232 190	58 230 130
Total equity		142 081 824	88 079 764
Liabilities			
Current liabilities			
Trade creditors		1 097 953	3 980
Tax payable	6	2 402	2 402
Other short-term liabilities (Intercompany)	8	423 757	149 974
Total current liabilities		1 524 112	156 356
Total liabilities		1 524 112	156 356
Total equity and liabilities		143 605 936	88 236 120

Oslo, 28 June 2024

DocuSigned by: Anthony Brown
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Anthony C. Brown
Chairman

DocuSigned by: Michael Middel
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Michael Abraham Middel
Board member

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J.Ray Mcdermott (Norway), AS

Cash flow statement 01.01-31.12

USD	2023	2022
Cash flow from operating activities		
Ordinary result before tax	54 004 462	1 361 587
Taxes paid	-2 402	-2 402
Write down of shares in subsidiaries	0	14 821 516
Depreciation and amortization	731 469	731 469
Change in receivable from group companies	-56 106 306	-16 914 407
Change in payables to group companies	289 795	0
Changes in other current balance sheet items	1 082 983	2 237
Net Cash flow from operating activities	0	0
Cash flow from investing activities		
Net cash flow from investing activities	0	0
Cash flow from financing activities		
Net cash flow from financing activities	0	0
Net change in cash and cash equivalents	0	0
Cash and cash equivalents as of 01.01	0	0
Cash and cash equivalents as of 31.12	0	0

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J.Ray Mcdermott (Norway), AS

Notes to the accounts for 2023

USD

Note - 1 Accounting Principles

The annual report is prepared according to the Norwegian Accounting Act 1998 and generally accepted accounting principles. All amounts are presented in USD.

The Financial Statements have been prepared assuming that we will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. However, management believes the risks and uncertainties do give rise to a substantial doubt about our ability to continue as a going concern, see note 10 for further details.

Subsidiaries and investments in associate are valued by the cost method in the company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present.

Operating income
Income is recorded when acquired. Consequently, recording of income at hire. Value added tax, discounts, bonuses and invoiced freight costs are deducted from operating income.

Balance sheet classification
Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long-term creditors.

Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non-incidental reduction in value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Trade and other receivables
Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments.

Functional and presentation currency
The company's reporting currency is in USD, which is also the company's functional currency.

Foreign currency translation
Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in foreign currency are valued to the exchange rate at the end of the fiscal year. Monetary items include accounts receivable and liabilities that are to be settled with cash. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

Tangible fixed assets
Property, plant and equipment is capitalized and depreciated over the estimated useful economic life. Direct maintenance costs are expensed as incurred, whereas improvements and upgrading are assigned to the acquisition cost and depreciated along with the asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

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J.Ray Mcdermott (Norway), AS

Notes to the accounts for 2023

USD

Depreciation
Ordinary depreciation is calculated using straight-line method to allocate their cost to their residual values over their estimated useful lives. Depreciation is classified as ordinary operating expense. Vessel and equipment comprises individual components for which different depreciation methods or rates are appropriated, each component is depreciated separately.

Periodic maintenance
Period maintenance is reported on the balance sheet as a part of the vessel, and straight line depreciated over the period until the next periodic maintenance, normally after 30 months. On the purchase of new vessels, a ratio of the cost price is valuated as periodic maintenance.

Income tax
The company is taxed according to the Norwegian tax regime for shipping companies. The regime is supposed to equalize the competitiveness of the regime compared to other European tax regimes for shipping.

Companies, to which the tax regime for shipping companies applies, are taxed continuously on net financial income at a tax rate of 22 %.

Cash flow statement
The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less.

Going concern
We have concluded the going concern assumption is appropriate.

Note 2 - Transactions with closely related parties

The following show transactions between J. Ray McDermott (Norway) and the related party McDermott International Inc group.

Transaction	**Counterpart**	**Amount**
Bareboat charter income	Eastern Marine Services	16 962 000

Note 3 - Tangible fixed assets

	Vessel
Acquisition cost 01.01.	116 692 076
Acquisition cost 31.12.	116 692 076
Acc.depreciation 31.12.	- 64 200 630
Acc.write-downs 31.12.	-41 234 953
Net carrying amount at 31.12.	11 256 493
Depreciation for the year	731 469
Useful economic life	17 years
Depreciation	Linear

The vessel is mortgaged to the lenders of the J. Ray McDermott Group under the Group’s Credit Agreement.

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J.Ray Mcdermott (Norway), AS

Notes to the accounts for 2023

USD

Note 4 - Payroll expenses, number of employees and loans to employees and auditor's fee

The Company has no employees and has no requirements to establish pension funds.
Neither the Board of Directors, nor the Company's management, has received any remuneration in 2023.

Auditor fee has been divided as follows	**2023**	**2022**
Audit fee	20 500	19 500
Fee for technical preparation of financial statement	4 164	3 874

VAT is not included in the auditor fees.

Note 5 - Investment in subsidiaries and associate

Company	Acquisition date	Location	Share owners	Voting rights	Net profit 2022	Equity 31.12	Book val 31.12
North Ocean 105 AS	08.03.2010	Bergen	100 %	100 %	0	0	0

In 2022 the value of the shares in subsidiaries was fully impaired to the value of $0. The impairment amounted to $14.8m and was due to larger write-downs of assets in North Ocean 105 AS in connection with the liquidation of that company that was completed in 2023. As a consequence of the liquidation, the Company received a liquidation dividend of $39.4m which has been recognized as financial income.

Note 6 - Income taxes

Income tax expenses	**2023**	**2022**
Tonnage tax	2 402	2 402
Total income tax expense	2 402	2 402

Tax base estimation	**2023**	**2022**
Interest income	2 481	2 598
Interest deduction	0	0
Foreign exchange gain/-loss	-74 958	6 017 869
Tax-related income equity	1 248 120	686 309
Net taxable income (before loss carried forward)	1 175 643	6 706 776
Utilization of loss carried forward	0	-1 135 225
Net taxable income	1 175 643	5 571 551
Payable Tax, 22 %	258 642	1 225 741
Tonnage tax	2 402	2 402
Total tax payable	261 044	1 228 143

Deferred tax asset is not recognized in the balance sheet as there are uncertainty according to use as it depends on interest income and changes in foreign exchange. The company is subject to Norwegian tonnage tax regime for shipping companies.

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J.Ray Mcdermott (Norway), AS

Notes to the accounts for 2023

USD

Note 7 - Equity

	Share capital	Share premium reserve	Other equity	Total
Owners' equity 01.01.23	34 321	29 815 313	58 230 130	88 079 764
Profit for the year	0	0	54 002 060	54 002 060
Owners' equity 31.12.23	34 321	29 815 313	112 232 190	142 081 824

Note 8 - Intercompany balances

Intercompany receivables

	2023	2022
EMS Atlantic branch	83 738 869	26 907 288
JRSA Main Office	48 020 826	47 948 222
North Ocean 105 AS	0	797 879
MII Main office	578 758	578 758
JRMI Marine Division	0	16 011
Total intercompany receivables	132 338 453	76 248 158

Intercompany payables

	2023	2022
JRMI Main Office	-270 050	-149 973
JRMI Marine Division	-153 707	0
Total intercompany payables	-423 757	-149 973

Note 9 - Share capital

Share capital:

	Number of shares	Face value	Book value
Ordinary shares	100 000	0,34321	34 321

Shareholders per 31.12:

	Ordinary shares	Ownership share	Voting rights
J. Ray McDermott International Inc.	100 000	100 %	100 %

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kristen Helleland	20.05.2014	27.05.2014
Telefon	**Deres referanse**	**Vår referanse**
22078139	Rolf-Erik Dah	2011/629739

DELOITTE ADVOKATFIRMA AS
Postboks 6013
5892 BERGEN

Fritak for konsernregnskapsplikten for underkonsernet J. Ray McDermott (Norway) AS, org. nr. 994 685 171

Det vises til deres brev av 20. mai 2014 hvor det søkes om fritak fra plikten til å utarbeide konsernregnskap for J. Ray McDermott (Norway) AS.

J. Ray McDermott (Norway) AS er eiet med 100 % av J. Ray McDermott Far East, Inc. (Panama) som igjen er 100 % eiet av McDermott International Inc. McDermott International Inc. (USA) er notert på New York Stock Exchange i USA. McDermott International Inc. som er hjemmehørende i USA, utarbeider konsernregnskap som omfatter J. Ray McDermott (Norway) AS. Dette selskapet utarbeider konsernregnskap på engelsk i henhold til US GAAP. Det søkes derfor om unntak fra konsernregnskapsplikten.

Skattedirektoratet finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for J. Ray McDermott (Norway) AS. Det forutsettes at McDermott International Inc utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskap. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med US GAAP og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av. 7.9.2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten på norsk, kan være på svensk, dansk eller engelsk.

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org nr 996250318	Telefaks
	E-post: skatteetaten.no/sendepost	22 17 38 60

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helleland	21.06.2011	01.07.2011
Telefon	**Deres referanse**	**Vår referanse**
22078139	Mark Edward Peterson	2011/629739

J. RAY MCDERMOTT (NORWAY), AS
C/O Wikborg, Rein & Co Postboks 1513 Vika
0117 OSLO

Dispensasjon fra kravet om utarbeidelse av årsregnskap og årsberetning på norsk språk for J. Ray McDermott Norway AS, org. nr. 994 685 171

Det vises til deres brev av 10. juni 2011 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for J. Ray McDermott Norway AS.

Bakgrunn
J. Ray McDermott Norway AS er et heleid norsk datterselskap av J. Ray McDermott International Inc. registrert i Panama. J. Ray McDermott Norway AS presenterer sitt regnskap i selskapets funksjonelle valuta som er USD. Konsernets forretningsspråk er engelsk, aksjonærene er alle engelskspråklige og i all hovedsak er selskapets gjeld til utenlandske selskaper. På denne bakgrunn utarbeider man regnskap på engelsk da dette er språket som er nødvendig for å kommunisere med konsernselskap og aksjonærer. Den norske versjonen utarbeides kun for å tilfredsstille regnskapsloven.

Skattedirektoratets vurdering og konklusjon
Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:
"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org. nr: 996250328	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60

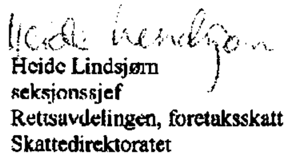
Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Selskapet er heleid av et selskap hjemmehørende i Panama. Konsernets forretningsspråk er engelsk, aksjonærene er alle engelskspråklige og i all hovedsak er selskapets gjeld til utenlandske selskaper. På denne bakgrunn utarbeider man regnskap på engelsk da dette er språket som er nødvendig for å kommunisere med konsernselskap og aksjonærer.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering J. Ray McDermott Norway AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen



Heide Lindsjørn
seksjonssjef
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Statsautoriserte revisorer
Ernst & Young AS

Stortorvet 7, 0155 Oslo
Postboks 1156 Sentrum, 0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of J.Ray Mcdermott (Norway), AS

Opinion

We have audited the financial statements of J.Ray Mcdermott (Norway), AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

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going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 4 July 2024
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The auditor's report is signed electronically

Tore Sørlie
State Authorised Public Accountant (Norway)

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Sørlie, Tore
Oppdragsansvarlig partner
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IP: 147.161.xxx.xxx
2024-07-04 20:20:25 UTC

Sørlie, Tore
Statsautorisert revisor
Serienummer: no_bankid:9578-5995-4-774812
IP: 147.161.xxx.xxx
2024-07-04 20:20:25 UTC

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