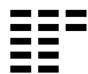
 Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - 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:	01.01.2022 - 31.12.2022

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:	19.02.2024

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 18.08.2024

Resultatregnskap

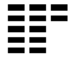
Beløp i: USD	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	2	16 962 280	16 962 280
Sum inntekter		**16 962 280**	**16 962 280**
Kostnader			
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3	731 469	731 469
Annen driftskostnad	4,5	14 872 403	49 456
Sum kostnader		**15 603 872**	**780 925**
Driftsresultat		**1 358 408**	**16 181 355**
Finansinntekter og finanskostnader			
Annen finansinntekt		3 179	
Sum finansinntekter		**3 179**	
Annen finanskostnad			252 425
Sum finanskostnader			**252 425**
Netto finans		**3 179**	**-252 425**
Ordinært resultat før skattekostnad		**1 361 587**	**15 928 930**
Skattekostnad	6	2 402	2 402
Ordinært resultat etter skattekostnad		**1 359 185**	**15 926 528**
Årsresultat		**1 359 185**	**15 926 528**

Balanse

Beløp i: USD	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		**0**	
Varige driftsmidler			
Skip, rigger, fly og lignende	3	11 987 962	12 719 431
Sum varige driftsmidler		**11 987 962**	**12 719 431**
Finansielle anleggsmidler			
Investering i datterselskap	5		14 821 516
Sum finansielle anleggsmidler			**14 821 516**
Sum anleggsmidler		**11 987 962**	**27 540 947**
Omløpsmidler			
Varer			
Fordringer			
Konsernfordringer	8	76 248 158	59 333 751
Sum fordringer		**76 248 158**	**59 333 751**
Sum omløpsmidler		**76 248 158**	**59 333 751**
SUM EIENDELER		**88 236 120**	**86 874 698**
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	2022	2021
Annen egenkapital	7	58 230 130	56 870 945
Sum opptjent egenkapital		**58 230 130**	**56 870 945**
Sum egenkapital		**88 079 764**	**86 720 579**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Leverandørgjeld		3 980	1 744
Betalbar skatt	6	2 402	2 402
Annen kortsiktig gjeld	8	149 974	149 973
Sum kortsiktig gjeld		**156 356**	**154 119**
Sum gjeld		**156 356**	**154 119**
SUM EGENKAPITAL OG GJELD		**88 236 120**	**86 874 698**

 Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2024 339068

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:	01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

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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:	19.02.2024

Grunnlag for avgivelse

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År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022.

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, 25.03.2024

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	2022	2021
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	2	16 962 280	16 962 280
Sum inntekter		**16 962 280**	**16 962 280**
Kostnader			
Nedskrivning av varige driftsmidler og immaterielle eiendeler	3	731 469	731 469
Annen driftskostnad	4,5	14 872 403	49 456
Sum kostnader		**15 603 872**	**780 925**
Driftsresultat		**1 358 408**	**16 181 355**
Finansinntekter og finanskostnader			
Annen finansinntekt		3 179	
Sum finansinntekter		**3 179**	
Annen finanskostnad			252 425
Sum finanskostnader			**252 425**
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Ordinært resultat etter skattekostnad		**1 359 185**	**15 926 528**
Årsresultat		**1 359 185**	**15 926 528**

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

BALANSE

Beløp i: USD	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Sum immaterielle eiendeler		**0**	
Varige driftsmidler			
Skip, rigger, fly og lignende	3	11 987 962	12 719 431
Sum varige driftsmidler		**11 987 962**	**12 719 431**
Finansielle anleggsmidler			
Investering i datterselskap	5		14 821 516
Sum finansielle anleggsmidler			**14 821 516**
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Omløpsmidler			
Varer			
Fordringer			
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SUM EIENDELER		**88 236 120**	**86 874 698**
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			
Annen egenkapital	7	58 230 130	56 870 945
Sum opptjent egenkapital		**58 230 130**	**56 870 945**
Sum egenkapital		**88 079 764**	**86 720 579**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Leverandørgjeld		3 980	1 744
Betalbar skatt	6	2 402	2 402

	Note		
Annen kortsiktig gjeld	8	149 974	149 973
Sum kortsiktig gjeld		**156 356**	**154 119**
Sum gjeld		**156 356**	**154 119**
SUM EGENKAPITAL OG GJELD		**88 236 120**	**86 874 698**

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

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note
1

Regnskapsprinsipper
Årsregnskapet er satt opp etter regnskapsloven. Regnskapsreglene for små foretak er fulgt.

Note
7,9

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

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J.Ray Mcdermott (Norway) AS

Annual report 2022

Board of director's report

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

Auditor's report

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Årsberetning 2022
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 McDermot-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) og endring og forlengelse av våre finansieringsfasiliteter. Selv om strategiske endringer i virksomheten vår har hatt positive effekter på konsernets økonomiske resultater de siste kvartalene, har Reficar-voldgiftsavgjørelsen og endringen og forlengelsen av våre LC-fasiliteter skapt større usikkerhet i vårt operasjonelle miljø. Denne usikkerheten har fått våre kunder, leverandører og banker til å opptre mer forsiktig når de gjør forretninger med oss. Konsernet mottok en tilbakekallelse av tidligere annonserte priser på grunn av manglende evne til å stille nødvendige kreditt. Denne pågående usikkerheten kan fortsette å påvirke konsernets anbudsaktivitet og pågående prosjekter. I tillegg har vi opplevd stadig mer ugunstige betalingsvilkår med våre kritiske leverandører. Historisk sett har vi vært i stand til å administrere leverandørbasen og leverandørforpliktelsene på et høyt nivå. Dette har blitt mer utfordrende den seneste tiden fordi vi ikke kan gi noen forsikring om utfallet og virkningen av de rettslige tvistene, utfallet av endring og forlengelse våre finansieringsfasiliteter, og operasjonelle og ikke-operasjonelle forhold i våre fremtidige operasjoner. Med bakgrunn i dette er det vesentlig usikkerhet knyttet til konsernets evne til fortsatt drift.

J Ray McDermott AS' eneste kunde er et selskap i McDermott-konsernet. J Ray McDermott AS mottar ikke løpende betalinger for ytede tjenester fra konsernselskapet, og vesentlige mellomværende har akkumulert seg opp per 31.

Directors' report 2022
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 McDermot 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. While strategic changes in our business have had positive impacts on our financial performance in recent quarters, the Reficar arbitration ruling, and the outstanding amendment and extension of our LC facilities have created greater uncertainty in our operating environment. This uncertainty has caused our customers, vendors, and banks to behave more cautiously when doing business with us. The Group received a retraction of previously announced significant awards due to our inability to post requisite letters of credit. This ongoing uncertainty may continue to impact the Group's bidding activity and ongoing projects. Additionally, we have experienced increasingly unfavorable payment terms with our critical suppliers. Historically, we have been able to manage the vendor base and accounts payable obligations at elevated levels, however, this is becoming more challenging in the current environment.
Because we can provide no assurance about the outcome and the impact of the litigation matters, the outcome of our amendment and extension of our financing facilities efforts, and operational and non-operational matters on our future operations and liquidity needs, there is substantial doubt regarding the Group's ability to continue as a going concern.
J Ray McDermott AS' only customer is a company in the McDermott Group. J Ray McDermott AS does not regularly receive payments for services rendered and a significant intercompany receivable has accumulated as of

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J.Ray Mcdermott (Norway) AS

desember 2022. På grunn av den betydelige usikkerheten rundt konsernets evne til fortsatt drift, er det også vesentlig usikkerhet knyttet til selskapets evne til fortsatt drift.

December 31, 2022. Due to the is substantial doubt regarding the Group's ability to continue as a going concern. there is substantial doubt regarding the Company's ability to continue as a going concern.

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 1 359 185

Totalkapitalen ved utgangen av året var USD 88 236 120

Bokført egenkapitalgrad per 31. desember 2022 var 99.82%.

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 1 359 185.

Total assets by the end of the year were USD 88 236 120.

Equity ratio as of 31 December 2022 was 99.82%.

The Company has no research and development expenses.

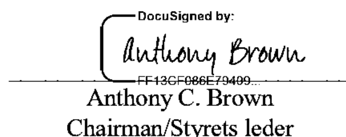
Arbeidsmiljø og likestilling
Selskapet har ingen ansatte. Selskapets styre består av 2 menn. Selskapet kjenner til samfunnets forventinger, men Selskapet har ikke satt i verk spesielle tiltak.

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, 19 February 2024



Anthony C. Brown
Chairman/Styrets leder

Michael Abraham Middel
Director/Styremedlem

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J.Ray Mcdermott (Norway), AS

Income statement 01.01-31.12

USD	Note	2022	2021
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	50 887	49 456
Impairment of investment in subsidiary	5	14 821 516	0
Total operating expenses		15 603 872	780 925
Operating result		1 358 408	16 181 355
Financial income and expenses			
Other financial income		3 179	0
Other financial expenses		0	252 425
Net financial items		3 179	-252 425
Ordinary result before tax		1 361 587	15 928 930
Tax on ordinary result	6	2 402	2 402
Net profit or loss for the year		**1 359 185**	**15 926 528**
Allocated as follows			
Transferred to other equity	7	1 359 185	15 926 528

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J.Ray Mcdermott (Norway), AS

Balance sheet as of December 31

USD	Note	2022	2021
Fixed assets			
Tangible assets			
Vessels	3	11 987 962	12 719 431
Total tangible assets		11 987 962	12 719 431
Financial assets			
Investments in subsidiaries	5	0	14 821 516
Total financial assets		0	14 821 516
Total fixed assets		11 987 962	27 540 947
Current assets			
Receivables			
Intercompany receivables	8	76 248 158	59 333 751
Total receivables		76 248 158	59 333 751
Total current assets		76 248 158	59 333 751
Total assets		88 236 120	86 874 698

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J.Ray Mcdermott (Norway), AS

Balance sheet as of December 31

USD	Note	2022	2021
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	58 230 130	56 870 945
Total retained earnings		58 230 130	56 870 945
Total equity		88 079 764	86 720 579
Liabilities			
Current liabilities			
Trade creditors		3 980	1 744
Tax payable	6	2 402	2 402
Other short-term liabilities	8	149 974	149 973
Total current liabilities		156 356	154 119
Total liabilities		156 356	154 119
Total equity and liabilities		88 236 120	86 874 698

Oslo, 19 February 2024

DocuSigned by:
Anthony Brown
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Anthony C. Brown
Chairman

DocuSigned by:
Michael Middel
65AC1FC9AFD04B8...
Michael Abraham Middel
Board member

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J.Ray Mcdermott (Norway), AS

Cash flow statement 01.01-31.12

USD	2022	2021
Cash flow from operating activities		
Ordinary result from tax	1 361 587	15 928 930
Taxes paid	-2 402	-2 402
Write down of shares in subsidiaries	14 821 516	0
Depreciation and amortization	731 469	731 469
Change in receivable from group companies	-16 914 407	-17 663 165
Change in payables to group companies	0	361 047
Changes in other current balance sheet items	2 237	644 091
Write down of shares in subsidiaries	0	-30
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	-30
Cash and cash equivalents as of 01.01	0	30
Cash and cash equivalents as of 31.12	0	0

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J.Ray Mcdermott (Norway), AS

Notes to the accounts for 2022

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 2022

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.

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.	-63 469 161
Acc.write-downs 31.12.	-41 234 953
Net carrying amount at 31.12.	11 987 962
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 2022

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 2022.

Auditor fee has been divided as follows	2022	2021
Audit fee	19 500	19 382
Fee for technical preparation of financial statement	3 874	3 587

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 is fully impaired to the value of $0. The impairment amounts to $14,8m. This is 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.

Note 6 - Income taxes

Income tax expenses	2022	2021
Tonnage tax	2 402	2 402
Total income tax expense	2 402	2 402

Tax base estimation	2022	2021
Interest income	2 598	2 648
Interest deduction	0	-118 045
Foreign exchange gain/-loss	6 017 869	1 378 036
Tax-related income equity	686 309	238 281
Net taxable income (before loss carried forward)	6 706 776	1 500 920
Utilization of loss carried forward	-1 135 225	0
Net taxable income	5 571 551	1 500 920
Tonnage tax	2 402	2 402
Total tax payable	2 402	2 402

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 2022

USD

Note 7 - Equity

	Share capital	Share premium reserve	Other equity	Total
Owners' equity 01.01.22	34 321	29 815 313	56 870 945	86 720 579
Profit for the year	0	0	1 359 185	1 359 185
Owners' equity 31.12.22	34 321	29 815 313	58 230 130	88 079 764

Note 8 - Inter-company balances

Intercompany receivables

	2022	2021
EMS Atlantic branch	26 907 288	9 945 008
JRSA Main Office	47 948 222	47 953 391
North Ocean 105 AS	797 879	840 583
MII Main office	578 758	578 758
JRMI Marine Division	16 011	16 011
Total intercompany receivables	76 248 158	59 333 751

Intercompany payables

	2022	2021
JRMI Marine Division	-149 973	-149 973
Total intercompany payables	-149 973	-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 %

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J.Ray Mcdermott (Norway), AS

Notes to the accounts for 2022

USD

Note 10 Significant doubt on Going Concern

Since 2021, the McDermot 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. While strategic changes in our business have had positive impacts on our financial performance in recent quarters, the Reficar arbitration ruling and the outstanding amendment and extension of our LC facilities have created greater uncertainty in our operating environment. This uncertainty has caused our customers, vendors, and banks to behave more cautiously when doing business with us. The Group received a retraction of previously announced significant awards due to our inability to post requisite letters of credit. This ongoing uncertainty may continue to impact the Group's bidding activity and ongoing projects. Additionally, we have experienced increasingly unfavorable payment terms with our critical suppliers. Historically, we have been able to manage the vendor base and accounts payable obligations at elevated levels, however, this is becoming more challenging in the current environment.

Because we can provide no assurance about the outcome and the impact of the litigation matters, the outcome of our amendment and extension of our financing facilities efforts, and operational and non-operational matters on our future operations and liquidity needs, there is substantial doubt regarding the Group's ability to continue as a going concern.

J Ray McDermott AS' only customer is a company in the McDermott Group. J Ray McDermott AS does not regularly receive payments for services rendered and a significant intercompany receivable has accumulated as of December 31, 2022. Due to the is substantial doubt regarding the Group's ability to continue as a going concern. there is substantial doubt regarding the Company's ability to continue as a going concern.

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

www.ey.no
Medlemmer av Den norske Revisorforening

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 2022, the income statement, 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 2022 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 matters

The company`s financial statements have been submitted after the expiration of statutory deadline for submission of financial statements.

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

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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 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.

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Oslo, 4. March 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Tore Sørlie
State Authorised Public Accountant (Norway)

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"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Tore Sørlie
Statsautorisert revisor
Serienummer: UN:NO-9578-5995-4-774812
IP: 109.189.xxx.xxx
2024-03-04 12:52:51 UTC

Penneo Dokumentnøkkel: HNF0E-5LK5O-6ILHO-XJJ6H-I4UM2-4K62L

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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: 996250318	Telefaks
For elektronisk henvendelse se www.skatteetaten.no		22 17 08 60

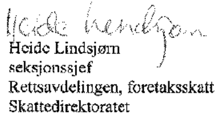
Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

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

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kniden Helleland	20.05.2014	22.05.2014
Telefon	Deres referanse	Vår referanse
22078139	Rolf-Erik Dish	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
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Besøksadresse:
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Sentralbord
800 80 000
Telefaks
22 17 08 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

ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS
For the annual period ended December 31, 2022

MCDERMOTT INTERNATIONAL, LTD

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

The number of Ordinary Shares of McDermott International, Ltd outstanding at March 16, 2023 was 587,377,942.

McDERMOTT INTERNATIONAL, LTD

Report of Independent Registered Public Accounting Firm 1
Consolidated Financial Statements 3
    Consolidated Statements of Operations 3
    Consolidated Statements of Comprehensive Income (Loss) 4
    Consolidated Balance Sheets 5
    Consolidated Statements of Cash Flows 6
    Consolidated Statements of Stockholder's Equity 7
Notes to Consolidated Financial Statements 8

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, 2022 and 2021, 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, 2022 and 2021, 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 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 approved and 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 approved and 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
March 16, 2023

CONSOLIDATED FINANCIAL STATEMENTS

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,	
	2022	2021
	(In millions)	
Revenues	$ 6,246	$ 4,887
Costs and expenses:		
Cost of operations	6,208	5,183
Project intangibles amortization	4	8
Total cost of operations	6,212	5,191
Selling, general and administrative expenses	154	212
Other intangibles amortization	68	68
Research and development expenses	9	8
(Gain) on disposal of unconsolidated affiliate and other assets, net	(224)	(2)
Property, plant and equipment and operating lease right-of-use assets impairment	9	7
Restructuring costs	-	35
Total expenses	6,228	5,519
Income from investments in unconsolidated affiliates	6	1
Investment in unconsolidated affiliates-related amortization	13	13
Operating income (loss)	37	(618)
Other (expense) income:		
Interest expense, net	(154)	(132)
Other non-operating (expense) income, net	(17)	125
Total other expense, net	(171)	(7)
Loss before provision for income taxes	(134)	(625)
Income tax expense	102	42
Net loss	(236)	(667)
Less: Net loss attributable to noncontrolling interests ("NCI")	(2)	-
Net loss attributable to McDermott	(234)	(667)
Dividends on redeemable preferred stock	(22)	(20)
Accretion of redeemable preferred stock	(26)	(19)
Net loss attributable to McDermott after preferred stock dividends and accretion	$ (282)	$ (706)

See accompanying Notes to these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS

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

	Year ended December 31,	
	2022	2021
	(In millions)	
Net loss attributable to McDermott	$ (234)	$ (667)
Other comprehensive (loss) income, net of tax:		
Loss on derivatives	(41)	(60)
Foreign currency translation	(6)	(11)
Unrealized (loss) income on investments	(1)	1
Total comprehensive loss	(282)	(737)
Less: Comprehensive loss attributable to NCI	(2)	-
Comprehensive loss attributable to McDermott	$ (280)	$ (737)

See accompanying Notes to these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED BALANCE SHEETS

	December 31, 2022	December 31, 2021
	(In millions, except per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents ($136 and $168 related to variable interest entities ("VIEs"))	$ 785	$ 813
Restricted cash and cash equivalents	19	13
Accounts receivable—trade, net ($0 and $18 related to VIEs)	663	557
Accounts receivable—other ($11 and $32 related to VIEs)	97	133
Contracts in progress ($1 and $72 related to VIEs)	980	1,135
Project-related intangible assets, net	13	42
Other current assets ($11 and $15 related to VIEs)	192	171
Total current assets	2,749	2,864
Property, plant and equipment, net	1,051	1,100
Operating lease right-of-use assets	197	204
Accounts receivable—long-term retainages	97	40
Investments in unconsolidated affiliates	114	89
Other intangibles, net	511	579
Other non-current assets	255	341
Total assets	$ 4,974	$ 5,217
Liabilities, Mezzanine Equity and Stockholders' Equity		
Current liabilities:		
Operating lease obligations	$ 66	$ 60
Current portion of long-term debt	20	22
Accounts payable ($7 and $31 related to VIEs)	712	715
Advance billings on contracts ($128 and $125 related to VIEs)	1,288	1,167
Project-related intangible liabilities, net	22	48
Accrued liabilities ($37 and $119 related to VIEs)	1,192	1,224
Total current liabilities	3,300	3,236
Long-term debt	731	607
Long-term operating lease obligations	184	192
Deferred income taxes	87	90
Other non-current liabilities	453	592
Total liabilities	4,755	4,717
Mezzanine equity:		
Redeemable preferred stock	216	168
Stockholders' equity:		
Ordinary shares, par value $0.001 per share, authorized 800 shares; issued 588 and 580 shares, respectively	1	1
Capital in excess of par value	2,374	2,371
Accumulated deficit	(2,302)	(2,020)
Accumulated other comprehensive (loss) income ("AOCI")	(66)	(18)
Total McDermott stockholders' equity	7	334
Noncontrolling interest	(4)	(2)
Total stockholders' equity	3	332
Total liabilities and stockholders' equity	$ 4,974	$ 5,217

See accompanying Notes to these Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS

McDERMOTT INTERNATIONAL, LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2022	2021
	(In millions)	
Cash flows from operating activities:		
Net loss	$ (236)	$ (667)
Adjustments to reconcile net loss to cash flows from operating activities:		
Gain on disposal of unconsolidated affiliate and other assets, net	(224)	(2)
Depreciation and amortization	142	153
Debt issuance cost amortization and debt discount and make-whole accretion	46	44
Property, plant and equipment and operating lease right-of-use assets impairment	9	7
Pension curtailment, settlement, and actuarial mark-to-market loss (gain)	37	(86)
Other non-cash items	9	12
Changes in operating assets and liabilities, net:		
Accounts receivable	(163)	92
Contracts in progress, net of advance billings on contracts	276	346
Accounts payable	(3)	(216)
Other current and non-current assets	(22)	(16)
Other current and non-current liabilities	(42)	(143)
Total cash used in operating activities	(171)	(476)
Cash flows from investing activities:		
Proceeds from disposal of the unconsolidated affiliate, net of $3 million transaction costs	217	1
Proceeds from disposal of property, plant and equipment, net of $1 million transaction costs	72	6
Purchases of property, plant and equipment	(223)	(210)
Investments in unconsolidated affiliates	(2)	(27)
Total cash provided by (used in) investing activities	64	(230)
Cash flows from financing activities:		
Amazon financing - drawdown	102	112
Amazon financing - repayment	(17)	-
Debt and letter of credit issuance costs	-	(8)
Total cash provided by financing activities	85	104
Effect of exchange rate changes on cash, cash equivalents and restricted cash	-	1
Net decrease in cash, cash equivalents and restricted cash	(22)	(601)
Cash, cash equivalents and restricted cash at beginning of period	826	1,427
Cash, cash equivalents and restricted cash at end of period	804	826
Supplemental cash flow information:		
Cash paid for interest	42	8
Cash paid for income taxes, net	57	55
Supplemental disclosure of noncash financing activities:		
Capital lease	-	(56)

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, 2020	$ 1	$ 2,362	$ (1,314)	$ 52	$ 1,101	$ (2)	$ 1,099
Net loss	-	-	(667)	-	(667)	-	(667)
Other comprehensive income, net of tax	-	-	-	(70)	(70)	-	(70)
Stock compensation expense	-	9	-	-	9	-	9
Accretion and dividends on redeemable preferred stock	-	-	(39)	-	(39)	-	(39)
Balance at December 31, 2021	$ 1	$ 2,371	$ (2,020)	$ (18)	$ 334	$ (2)	$ 332
Net loss	-	-	(234)	-	(234)	(2)	(236)
Other comprehensive loss, net of tax	-	-	-	(48)	(48)	-	(48)
Stock compensation expense	-	3	-	-	3	-	3
Accretion and dividends on redeemable preferred stock	-	-	(48)	-	(48)	-	(48)
Balance at December 31, 2022	$ 1	$ 2,374	$ (2,302)	$ (66)	$ 7	$ (4)	$ 3

See accompanying Notes to these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1–NATURE OF OPERATIONS AND ORGANIZATION

McDermott International, Ltd ("MIL", "McDermott", "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 in 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. 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 successfully launched a 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 improved profitability and a decrease in project loss reserves.

In the second quarter of 2022, we implemented a reorganization driven by our refocused business strategy to reposition our capabilities and technologies, formalize accountabilities for project execution and segment operating results, maximize operational efficiencies, and drive improved customer collaboration and growth opportunities. Our Chief Executive Officer ("CEO"), who is the chief operating decision maker (the "CODM"), regularly reviews our operating results, assesses performance, and makes decisions about resources to be allocated based on the reorganized structure. The structure now includes four business line segments: (1) 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.

In the third quarter of 2022, we implemented an initiative to increase our profitability and flexibility through overhead cost reductions and optimization of our organizational design. This initiative included reductions in certain employee-related, legal, selling and tendering costs and was completed by the end of 2022. In the beginning of 2023, to sustain profitability and growth, we initiated a value improvement and liquidity generating program to optimize project related, direct operating costs and selling, general and administrative expenditures. The program includes optimization of supply chain expenditures, improved project delivery model, selective bidding in accordance with our strategy, real estate savings and other corporate and operational initiatives.

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.

Previously reported segment financial information for the year ended December 31, 2021 has been recast to conform to the new reporting segment alignment. The recast did not have an effect on our consolidated results of operations. See Note 18, *Segment Reporting*, for further discussion.

MIL and its subsidiaries became a successor company for McDermott International, Inc. ("MII") and certain of its subsidiaries, which on January 21, 2020 filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code to pursue a joint prepackaged Chapter 11 Plan of Reorganization of the Debtors. On June 30, 2020, MII met all conditions precedent to emergence in accordance with its Plan of Reorganization and successfully emerged from bankruptcy as a reorganized enterprise comprised of MIL, and the majority of MII's pre-emergence subsidiaries and affiliates (together with MIL, the "McDermott Group" or "McDermott"). Under the Plan of Reorganization confirmed by the Bankruptcy Court, the McDermott Group generally assumed the assets and liabilities of MII post-emergence from bankruptcy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Recent Developments Affecting Industry Conditions and Our Business

Our industry was also 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, OPEC noted that for 2023, the forecast for world oil demand growth stands at 2.3 million barrels per day. This world oil demand in 2023 is expected to be supported by solid economic performance in major consuming countries, as well as improvements in coronavirus ("COVID-19") pandemic restrictions. Although this demand outlook is expected to underpin oil prices, which have already seen a sharp increase since March 2020, we cannot predict the ultimate impact of these events on commodity prices and 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 embargos, the possibility of recession or financial market instability, and supply chain disruption resulting from, among other things, the Russia-Ukraine crisis, discussed below.

In late February 2022, Russia launched an invasion of Ukraine. As a result of political and military actions undertaken by Russia, the U.S. and other North Atlantic Treaty Organization ("NATO") member states, as well as other non-member countries, have instituted financial and trade-related sanctions and other restrictive actions against Russian officials and companies, including prohibitions on doing business with certain Russian companies, large financial institutions, officials and oligarchs; a commitment by certain countries and the EU to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications, the electronic banking network that connects banks globally; and restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions. Global travel and global commerce, including transactions conducted in Russia by foreign companies in foreign currencies, has been and is expected to continue to be significantly impacted by these sanctions. We currently have one physical office and approximately 15 employees in Russia that are or may be impacted by these sanctions and restrictive actions. The sanctions imposed on Russian financial institutions have affected how we can pay our employees in Russia. We continue to assess and mitigate impacts on our people, projects, property and portfolio while remaining compliant with the applicable sanctions. The continuation of the war may trigger a series of additional economic and other sanctions enacted by the U.S., other NATO member states and other countries. In addition, Russia may retaliate against the U.S. in the future. While we do not have material assets in Russia, retaliatory action by the Russian government could involve the seizure of U.S. assets in Russia, and any such actions are likely to impair the value and liquidity of such assets. In addition, we could experience negative impacts driven by fluctuations in the Russian Ruble. For the year ended December 31, 2022, revenue from projects in Russia accounted for less than 1% of our total revenue as we close-out on one remaining project that is not subject to sanctions. We do not intend to pursue future work in Russia.

Although the second half of 2022 brought increased inflationary pressures, financial market volatility and warning signs of a potential recession, with the current shortage of other sources of safe, affordable, reliable and efficient energy, and economic growth associated with the global emergence from the COVID-19 pandemic, the demand for and prices of oil and natural gas have increased. The demand for oil and natural gas in 2022 exceeded pre-COVID-19 pandemic levels, and it is expected to remain steady in 2023. During the quarter ended December 31, 2022, West Texas Intermediate oil prices averaged approximately $83 per barrel and Brent crude oil prices averaged approximately $89 per barrel. As of March 15, 2023, West Texas Intermediate and Brent crude oil prices were approximately $68 and $74 per barrel, respectively. In particular, natural gas prices have benefited from strong worldwide LNG demand, including as a result of buyers shifting away from Russian gas due to the Russia-Ukraine crisis and the EU embargo on Russian oil and gas, and sustained higher U.S. exports, lower associated gas growth from oil drilling and improved U.S. economic activity. As Europe's energy security is threatened by the shift away from Russian gas, demand for LNG and other sources of energy continues to grow, creating an immediate demand for new distribution infrastructure, including pipelines, LNG terminals and processing capacity, to support ramped up LNG and natural gas exports to Europe. We anticipate that the industry's focus on transitioning to cleaner and renewable sources of energy will continue to grow and, as a result, will create additional opportunities for us to serve the industry and the energy transition with our proprietary technologies, integrated expertise and comprehensive solutions. However, the current inflationary pricing environment, threats of global recession, global supply chain disruptions and labor shortages worldwide are impacting growth prospects generally in the energy industry. In its annual energy outlook report released on March 3, 2022, the U.S. Energy Information Administration noted its expectation that U.S. natural gas demand will continue to grow through 2050, and production is expected to grow by over 20% from 2021 to 2050. This level of growth will require substantial investment in energy infrastructure. However, despite the fact that global demand is expected to remain strong, particularly through the winter months, in its short-term energy outlook report released on January 10, 2023, the U.S. Energy Information Administration noted its expectation that increases in U.S. natural gas production, relatively flat LNG exports and declining domestic consumption in the electric power and industrial sectors will limit upward pressure on prices in 2023.The Russia-Ukraine crisis 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. While we believe that demand for hydrocarbon resources for both fuel and other downstream activities will continue

increasing in 2023, we expect to see continued volatility in oil and natural gas prices for the foreseeable future due to, among other things, the Russia-Ukraine crisis, which could, over the long term, adversely impact our industry and create uncertainty in our business. The ultimate impact of the Russia-Ukraine crisis will depend on future developments and the timing and extent to which normal economic and operating conditions resume.

With respect to our business and our forecast for 2023, we expect to complete much of the existing backlog that was placed under contract before we commenced financial restructuring and before the onset of the COVID-19 pandemic. During 2021 and 2022, we recognized material unfavorable changes in estimates on a focused group of challenging projects, which drove a significant negative impact on our liquidity and are expected to do so until these projects are completed. We expect these projects to be completed throughout 2023. The risks and uneven timing of backlog completion, uncertainty of collectability of claims from our customers, uncertainties in timing and amount of new work and achievement of cost optimization efforts associated with the business line reorganization, could result in continued downward pressure on our financial performance, including challenges to our liquidity, through the next twelve months.

We have commenced discussions with lenders regarding the potential amendment and extension of the term of our outstanding Exit Facilities and Escrow LC Facility (as defined and described in Note 9, *Debt*), although there is no assurance as to the terms of any such amendment and extension or whether or when such amendment and extension will occur.

We anticipate that work we are booking and projects we are pursuing near-term will provide us with improved liquidity and better margins and that we have, or will secure, sufficient letter of credit capacity to book these projects. These assumptions, however, are subject to uncertainty.

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;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2022.
  - *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.
  - *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- *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.

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*— We entered into a U.S. dollar interest rate swap arrangement to mitigate exposure associated with cash flow variability on the Term Loan Exit Facility in an aggregate notional value $500 million. The swap arrangement has been designated as a cash flow hedge. See Note 13, *Derivative Financial Instruments*, for further discussion.

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

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

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

If at any time a joint venture or consortium qualifies as a VIE, we perform a qualitative assessment to determine whether we are the primary beneficiary of the VIE and, therefore, need to consolidate the VIE. We are the primary beneficiary if we have (1) the power to direct the economically significant activities of the VIE and (2) the right to receive benefits from and obligation to absorb losses of the VIE. If the joint venture or consortium is a VIE and we are the primary beneficiary, or we otherwise have the ability to control the joint

venture or consortium, it is consolidated. If we determine we are not the primary beneficiary of the VIE or only have the ability to significantly influence, rather than control the joint venture or consortium, it is not consolidated.

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

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

Insurance and Self-Insurance—Our wholly owned "captive" insurance subsidiaries provide coverage for our retentions under employer's liability, general and products liability, automobile liability and workers' compensation insurance and, from time to time, builder's risk and marine hull insurance within certain limits. We may also have business reasons in the future to arrange for our insurance subsidiaries to insure other risks which we cannot or do not wish to transfer to outside insurance companies. Premiums charged and reserves related to these insurance programs are based on the facts and circumstances specific to the insurance claims, our past experience with similar claims, loss factors and the performance of the outside insurance market for the type of risk at issue. The actual outcome of insured claims could differ significantly from estimated amounts. We maintain actuarially determined accruals in our Consolidated Balance Sheets to cover self-insurance retentions for the coverages 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 by independent actuaries using the unit credit method. We recognize actuarial mark to market gains and losses on pension and postretirement benefit plans immediately in our operating results. These gains and losses are generally measured annually, as of December 31, and, accordingly, will normally be recorded during the fourth quarter, unless an earlier remeasurement is required. Should actual experience differ from actuarial assumptions, the projected pension benefit obligation and net pension cost and accumulated postretirement benefit obligation and postretirement benefit cost would be affected in future years. Pension costs primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, offset by expected return on plan assets.

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

underlying demographics of our workforce. These assumptions are reasonably likely to change in future periods and may have a material impact on our future earnings.

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

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

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

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

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

For the year ended December 31, 2022, we recognized loss before provision for income taxes of $134 million, compared to loss of $625 million for the year ended December 31, 2021. The provision for income taxes from continuing operations was $102 million and $42 million for the years ended December 31, 2022 and 2021, respectively. The effective tax rate was approximately (76%) in 2022 and (7%) in 2021.

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 from increased tax expense related to uncertain tax positions, withholding taxes and changes in the deferred tax valuation allowance.

The 2021 effective tax rate of (7%) was primarily driven by losses in jurisdictions with no offsetting tax benefit, withholding tax, U.K. tax law change and changes in the deferred tax valuation allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting Guidance Issued but Not Adopted as of December 31, 2022

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.

Our current contractual arrangements and hedging relationships allow for the replacement of LIBOR with various other reference rates. We are evaluating the impact of the new guidance on our future Financial Statements and related disclosures.

NOTE 3–REVENUE RECOGNITION

Remaining Performance Obligations ("RPOs")

Our RPOs, by segment, were as follows:

	December 31, 2022		December 31, 2021	
	(Dollars in millions)			
Onshore	$ 6,673	37%	$ 7,227	37%
Offshore Middle East	6,819	38%	8,369	43%
Subsea and Floating Facilities	2,956	16%	2,835	14%
CB&I	1,609	9%	1,263	6%
Total	$ 18,057	100%	$ 19,694	100%

Our RPOs decreased by approximately $1.6 billion from December 31, 2021 to December 31, 2022, due to new awards and change orders of approximately $4.6 billion offset by revenues of approximately $6.2 billion, in each case recognized during the year ended December 31, 2022.

Of the December 31, 2022 RPOs, we expect to recognize revenues as follows:

	2023	2024	Thereafter
	(In millions)		
Total RPOs	5,574	4,637	7,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue Disaggregation

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

	Year ended December 31,	
	2022	2021
	(In millions)	
Revenues by contract type:		
Fixed price	$ 4,634	$ 3,772
Hybrid	1,289	493
Reimbursable	262	519
Unit-basis and other	61	103
	$ 6,246	$ 4,887
Revenues by recognition methodology:		
Over time	$ 6,238	$ 4,870
At a point in time	8	17
	$ 6,246	$ 4,887

Intercompany revenues have been eliminated in consolidation.

Revenue recognition

Unapproved Change Orders—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.

As of December 31, 2021, we had unapproved change orders included in transaction prices for our projects aggregating to approximately $279 million, of which approximately $63 million was included in our RPO balance.

Certain of our unapproved change orders are related to claims against our customers for recovery of the direct impact COVID-19 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.

Incentives—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.

As of December 31, 2021, we had incentives included in transaction prices for our projects aggregated to approximately $60 million, of which approximately $4 million was included in our RPO balance.

Loss projects—Our accrual of provisions for estimated losses as of December 31, 2022 and December 31, 2021 was approximately $79 million and $148 million, respectively. Losses on our active and substantially completed projects 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. On a weighted-average basis as of December 31, 2022, our loss projects were approximately 96% complete and are expected to be completed throughout 2023.

Other—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. Revenue recognized during the year ended December 31, 2021 attributable to Advance billings on contracts balance outstanding as of December 31, 2020, was approximately $566 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, 2022 and December 31, 2021, we determined that we had approximately $494 million and $593 million of potential liquidated damages exposure based on performance under contracts to date, respectively. We included $3 million and $4 million, respectively, as reductions in transaction prices related to such exposure as of December 31, 2022 and December 31, 2021. 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.

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. For a discussion of significant changes in estimates resulting from changes in transaction prices, see Note 3, *Revenue Recognition.*

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 Onshore 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 Onshore 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.

Year ended December 31, 2021

Segment operating results for the year ended December 31, 2021 were impacted by net unfavorable changes in estimates primarily driven by changes in cost estimates on five projects in our portfolio, as well as close-out and warranty cost overruns on our Power portfolio. The unfavorable changes in cost estimates were (1) approximately $172 million in our Onshore segment, primarily due to degradation in fabrication and construction productivity, lost time due to weather and safety standdowns, increased subcontractor costs and the resulting schedule prolongations on two petrochemical projects, and close out and warranty overruns on the substantially completed power projects; (2) approximately $107 million in our Offshore Middle East segment primarily due to combination of lost time due to weather standdowns and welding issues we experienced related to first-of-a-kind specifications, both of which resulted in a change in execution and a delay in our marine campaign; and (3) approximately $138 million in our Subsea and Floating Facilities segment primarily due to defects in pipe provided by a subcontractor on a subsea project, which ultimately drove a change in the project execution plan and a delay in our marine campaign, and degradation in productivity and schedule prolongation on a gas field redevelopment project. These changes were partially offset by improvements in our CB&I segment of $60 million.

NOTE 5–ACCOUNTS RECEIVABLE–TRADE, NET

Our trade receivable balances included the following:

	December 31, 2022	December 31, 2021
	(In millions)	
Contract receivables	$ 588	$ 496
Retainages [(1)]	94	81
Less allowances	(19)	(20)
Accounts receivable—trade, net	$ 663	$ 557

[(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 $40 million as of December 31, 2021 and $97 million as of December 31, 2022, of which $44 million and $53 million are expected to be collected in 2024 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, 2022			December 31, 2021		
		Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(In years)					(In millions)	
Project-related intangible assets	3.5	$ 108	$ (95)	$ 13	$ 108	$ (66)	$ 42
Project-related intangible liabilities	3.5	(101)	79	(22)	(101)	53	(48)
		$ 7	$ (16)	$ (9)	$ 7	$ (13)	$ (6)

Amortization gain associated with project-related intangibles, net is anticipated to be approximately $9 million for 2023.

The components of other intangible assets were as follows:

	Weighted Average Useful Life	December 31, 2022			December 31, 2021		
		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	$ (65)	$ 196	$ 261	$ (39)	$ 222
Trade names	10	419	(104)	315	419	(62)	357
		$ 680	$ (169)	$ 511	$ 680	$ (101)	$ 579

Amortization expense of other intangible assets is anticipated to be $68 million for each of the years ending December 31, 2023, 2024, 2025, 2026 and 2027.

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. This project was approximately 27% complete as of December 31, 2022, but the percentage of completion could change based upon the conditions of the project site once the project resumes. 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, 2022 and 2021 we recognized approximately $49 million and $120 million, respectively, in revenues related to the suspension. As of December 31, 2022, 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, 2022	December 31, 2021
	(In millions)	
Current assets	$ 145	$ 284
Non-current assets	1	3
Total assets	$ 146	$ 287
Current liabilities	$ 131	$ 226

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, 2022 and 2021 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, 2022, the project was approximately 47% complete, with approximately 84% of procurement commitments in place.

McDermott's December 31, 2022 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, 2022. During the fourth quarter of 2022, the consortium finalized a settlement agreement with the customer to resolve outstanding claims related to COVID-19, soil conditions, and ocean freight. Following the executed settlement agreement, certain previously recognized unapproved change orders have been approved by the client. As of December 31, 2022, we did not have unapproved change orders included in transaction prices associated with this project.

The agreed value of the executed settlement agreement with the client does not entirely address the consortium's near-term liquidity concerns. McDermott is working with the client and consortium partners to manage the near-term 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, 2022	December 31, 2021
	(In millions)	
Current assets [1]	$ 60	$ 181
Non-current assets	2	4
Total assets	$ 62	$ 185
Current liabilities	$ 107	$ 180

(1) Includes $14 million and $142 million of cash and cash equivalents as of December 31, 2022 and 2021, respectively.
(2)

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 ("Retained Stock Option") 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, 2022 and 2021, the Additional Option was recorded at the June 30, 2020 fair value, determined using the Monte Carlo simulation method, and 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, 2022.
- *McDermott/CTCI* (within our Onshore 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, 2022 and 2021, Accrued liabilities on the Balance Sheets included $65.5 million and $88 million, respectively, related to advances from this joint venture.
- *io consulting* (within our Subsea and Floating Facilities 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, 2022.
- *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, 2022.
- *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.

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.

We had previously determined the joint venture to be a VIE; however, we were not the primary beneficiary and therefore did not consolidate it.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2022		December 31, 2021	
	(In millions)			
Current assets	$	14	$	21
Non-current assets		-		1
Total assets	$	14	$	22
Current liabilities	$	43	$	50

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

	December 31, 2022	December 31, 2021
	(In millions)	
Property, plant and equipment		
Marine vessels [1]	$ 790	$ 479
Construction and other equipment	154	144
Assets under construction	67	364
Buildings	60	60
Land	39	40
Other	124	133
Total property, plant and equipment	1,234	1,220
Accumulated depreciation [2]	(183)	(120)
Property, plant and equipment, net	$ 1,051	$ 1,100
Accrued liabilities		
Accrued contract costs	$ 647	$ 523
Advances from equity method and proportionally consolidated joint ventures and consortiums [3]	65	90
Income taxes payable	67	54
Other accrued non-income taxes	40	101
Other accrued liabilities [4]	373	456
Accrued liabilities	$ 1,192	$ 1,224
Other non-current liabilities		
Pension, post-retirement medical and other employee benefit obligations	$ 201	$ 212
Self-insurance reserve	67	73
Income tax reserves	90	75
Amazon construction liability [5]	-	132
Other	95	100
Other non-current liabilities	$ 453	$ 592

[1] In the fourth quarter of 2022, we sold our lay vessel "*North Ocean 105*" and a derrick barge with a combined approximate net book value of $61 million for approximately $73 million. In the third quarter of 2022, we completed construction of the "*Amazon*" vessel and reclassified cost of the vessel construction of approximately $345 million, previously reflected in the "Assets under the construction", to "Marine vessels".

[2] Our depreciation expense was approximately $73 million and $79 million in 2022 and 2021, respectively.

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

[4] Includes various accruals individually less than 5% of total current liabilities.

[5] Liabilities incurred in connection with the Amazon modification agreements, discussed in Note 9, *Debt.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9–DEBT

The carrying values of our debt obligations were as follows:

	December 31, 2022	December 31, 2021
	(In millions)	
Current debt		
Amazon financing facility		
Financing facility	$ 22	$ 24
Facility issuance costs	(2)	(2)
Total current debt	$ 20	$ 22
Long-term debt		
Exit Facilities		
Term Loan Exit Facility	$ 492	$ 460
Make-Whole Exit Facility	42	40
Amazon financing facility		
Financing facility	217	129
Facility issuance costs	(20)	(22)
Total long-term debt	$ 731	$ 607

Exit Facilities

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 provide 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 $1.326 billion for new letters of credit, subject to an aggregate of $150 million of commitment step-downs in 2022 (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 (collectively, the “Roll-Off LC Facilities”); (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”). The Cash Secured LC Facility was terminated on December 31, 2020 concurrently with the establishment of the Escrow LC Facility (as defined below). Each of the 2018 Roll-Off LC Exit Facility and Sidecar Roll-Off Facility was terminated and all the letters of credit thereunder cease to exist.

On February 28, 2022, we entered into an amendment to the Exit Credit Agreement with certain lenders, pursuant to which, (1) the minimum liquidity threshold is reduced from $300 million to $100 million and will be increased by the greater of (a) $50 million at the end of each quarter commencing March 31, 2023 or (b) the cumulative amounts of proceeds applied from capital raise and asset sales from February 28, 2022, in each case, until the minimum liquidity threshold reaches $300 million (such date, the “Reversion Date”), (2) the minimum liquidity will be tested monthly until the Reversion Date, (3) commencing on February 28, 2022 until the Reversion Date, 25% of the first $100 million of the proceeds, 50% of the next $50 million of the proceeds and 75% of any additional proceeds, in each case, of certain capital raise or asset sales shall be applied to increase the minimum liquidity threshold and (4) the commitment of the Senior LC Exit Facility shall be reduced by $25 million on June 30, 2022, by $50 million on September 30, 2022 and by $75 million on December 30, 2022.

On December 31, 2020, we entered into a letter of credit agreement (the "Escrow LC Credit Agreement") with certain participants and issuers of letters of credit. The Escrow LC Credit Agreement provides for a letter of credit facility (the "Escrow LC Facility") for the issuance of up to $371 million face amount of letters of credit which has been 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 will be 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. We do not reflect the amount in the escrow account as an asset in our Financial Statements. 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.

As of December 31, 2022, the long-term debt of 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. Principal under this facility matures in June 2025 and interest is based on McDermott's advanced election of either (1) the Eurodollar rate 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 Eurodollar Rate 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 Eurodollar rate 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. Principal under this facility matures in June 2024 and interest is based on our advanced election of either (1) the Eurodollar rate 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 Eurodollar Rate for an interest period of one month) plus a margin of 2.00%.

Commitments under the Senior LC Exit Facility are activated and increased as letters of credit under the Roll-Off LC Facilities cease to be a letter of credit under the Roll-Off LC Facilities or are reduced. Except for letters of credit issued on the date of the McDermott Group's emergence from bankruptcy, letters of credit cannot be issued under the Roll-Off LC Facilities. As of December 31, 2022, the total amount of letters of credit issued under the LC Exit Facilities, Roll-Off LC Facilities and Escrow LC Facility cannot exceed $2.290 billion. This limit may cap the letters of credit that we can issue under the LC Exit Facilities and Escrow LC Facility to be less than the available amounts of commitments with respect to a particular LC Exit Facility. As of December 31, 2022, the cap on the LC Exit Facilities and Escrow LC Facility equaled $1.906 billion and letters of credit under the Roll-Off LC Facilities equaled $384 million. As the amount of letters of credit under the Roll-Off LC Facilities decreases, this in turn increases the cap of letters of credit that can be issued under the LC Exit Facilities. We may utilize this increased cap on the LC Exit Facilities and Escrow LC Facility at our discretion to issue letters of credit under the LC Exit Facilities or Escrow LC Facility depending on the type of needed letters of credit. However, letters of credit cannot be issued under the Senior LC Facility if there is sufficient capacity to be issued under the Super Senior LC Facility.

Each letter of credit issued under the Super Senior 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 (1) 3.00% per annum until April 30, 2023 and (2) 3.50% per annum thereafter, in each case, 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 Roll-Off Exit Facility prior to October 21, 2019 will accrue a participation fee equal to 4.25% per annum if such letter of credit is a financial letter of credit and 2.125% per annum if such letter of credit is a performance letter of credit and each letter of credit issued (or increased) under the Roll-Off Exit Facility on or after October 21, 2019 will accrue a participation fee of 5.00% per annum (and for any increases, 5.00% per annum on the portion of the letter of credit increased). Each letter of credit issued under the Roll-Off Exit Facility will accrue a fronting fee of 0.25% per annum. 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 Series A Preference (as defined in Note 15, *Stockholders' Equity and Equity-Based Incentive Plans*, and as described in more detail in Note 16, *Redeemable Preferred Stock*).

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 or immaterial subsidiaries.

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, commencing with the fiscal quarter ending September 30, 2021, 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 cannot be less than (1) 1.00:1.00 for any four fiscal quarter period ending on or before June 30, 2021, (2) 1.20:1.00 for any four fiscal quarter period ending on or after June 30, 2021 and on or before December 31, 2022, (3) 1.40:1.00 for any four fiscal quarter period ending on or after December 31, 2022 on or before June 30, 2023, (4) 1.60:1.00 for any four fiscal quarter period ending on or after June 30, 2023 and on or before December 31, 2023, (5) 1.70:1.00 for any four fiscal quarter period ending on or after December 31, 2023 and on or before December 31, 2024, and (6) 2.00:1.00 for any four fiscal quarter period ending on or after March 31, 2024. Testing of the Fixed Charge Coverage Ratio covenant has not been triggered as of December 31, 2022.

- Liquidity— beginning with the first Fiscal Quarter ending after the Effective Date until February 28, 2022, we are required to maintain minimum Liquidity (generally excludes cash held in VIEs and collaborative arrangements, as defined in the Exit Credit Facility) of not less than $300 million at the end of each fiscal quarter. Commencing on the last day of each month starting February 28, 2022, we are required to maintain minimum Liquidity of not less than $100 million which will be increased by 25% of the first $100 million of the net cash proceeds, 50% of the next $50 million of the net cash proceeds and 75% of any additional net cash proceeds, in each case, of any capital raise or asset sales, until the minimum liquidity threshold reaches $300 million, at which point quarterly testing will resume; provided that, the minimum Liquidity amount shall not be less than (a) $150 million on or after March 31, 2023, (b) $200 million on or after June 30, 2023 and (c) $250 million on or after September 30, 2023 and (d) $300 million on or after December 31, 2023.

As of December 31, 2022, we were in compliance with the Exit Credit Agreement financial covenant requirements. As a result of the sales of our share in Net Power LLC joint venture (discussed in Note 7, *Joint Venture and Consortium Arrangements*) and our lay vessel "*North Ocean 105*", our liquidity covenant was approximately $249.5 million as of December 31, 2022. The Super Senior LC Exit Facility, the Make-Whole Exit Facility, the Senior LC Exit Facility and the Escrow LC Facility mature on June 30, 2024, and the Term Loan Exit Facility matures on June 30, 2025. We have commenced discussions with lenders regarding the potential amendment and extension of the term of our outstanding Exit Facilities and Escrow LC Facility, although there is no assurance as to the terms of any such amendment and extension or whether or when such amendment and extension will occur.

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 (the "Finance Parties"), supplemented by our expected direct capital expenditures. On October 1, 2020, the Amazon Owner delivered a put option notice (the "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 (the "MOA") 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 LIBOR plus 1.70% per annum, with principal payments due quarterly beginning June 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 include 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, 2022, approximately $239 million (of which $22 million was included in "Current portion of long-term debt") was outstanding under the Amazon Financing.

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

On February 19, 2021, we also purchased the *Amazon* from the Amazon Owner pursuant to the terms of the MOA for $55 million, and derecognized the associated finance lease obligations outstanding as of December 31, 2020.

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, 2022, capacity under the Uncommitted Facilities was approximately $1.8 billion. The financial institutions that provide the Uncommitted Facilities have no obligation to issue letters of credit or bank guarantees, or to post surety bonds, on our behalf, and they may be able to demand that we provide them with cash or other collateral to backstop these liabilities. As of December 31, 2022, we had approximately $11 million of cash restricted to secure reimbursement obligations in respect of letters of credit issued under the Uncommitted Facilities.

NOTE 10–OPERATING LEASES

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

Leases	Classification	December 31, 2022	December 31, 2021
		(In millions)	
Assets			
Operating lease assets	Operating lease right-of-use assets	$ 197	$ 204
	Total leased assets	**$ 197**	**$ 204**
Liabilities			
Current			
Operating	Current portion of long-term lease obligations	66	60
		66	**60**
Noncurrent			
Operating	Long-term lease obligations	184	192
		184	**192**
	Total lease liabilities	**$ 250**	**$ 252**

Operating leases

Our operating leases primarily consist of leases for administrative offices, fabrication yard and certain equipment.

Our lease cost for operating leases was as follows:

Classification in Statement of Operations	Year ended December 31, 2022	2021
	(In millions)	
SG&A Expenses	$ 33	$ 44
Cost of operations	67	64
Net lease cost [1]	**$ 100**	**$ 108**

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

On March 4, 2022, we executed an agreement with a third party to lease them 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 2022 we recognized approximately $5 million of sublease income.

The weighted-average remaining lease term as of December 31, 2022 was approximately 8 years. The weighted-average discount rate used to determine the operating lease liability as of December 31, 2022 was 15.3%.

Future minimum lease payments for our operating lease obligations as of December 31, 2022 were as follows:

	Operating Leases (In millions)
2023	$ 74
2024	55
2025	40
2026	32
2027	29
After 2027	176
Total lease payments	406
Less: Interest	(156)
Present value of lease liabilities	$ 250

Supplemental information for our operating lease obligations are as follows:

	Year ended December 31, 2022	2021
	(In millions)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 64	$ 64

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 $14 million for the year ended December 31, 2022. 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 2022.

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. As of December 31, 2022, the projected benefit obligation and net funded status associated with this plan were approximately $337 million and $28 million, respectively. 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's assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2022	Year ended December 31, 2021
	(In millions)	
U.S. pension plans:		
Interest cost	$ 12	$ 11
Expected return on plan assets	(19)	(20)
Actuarial mark to market (gain) loss [1]	16	(3)
Net periodic benefit (income) loss	$ 9	$ (12)
Non-U.S. pension plans:		
Interest cost	$ 10	$ 8
Expected return on plan assets	(14)	(20)
Curtailment gain [2]	-	(34)
Actuarial mark to market (gain) loss [1]	24	(49)
Net periodic benefit (income) loss	$ 20	$ (95)
Other postretirement plans:		
Actuarial mark to market (gain) loss [1]	$ (3)	$ -
Net periodic benefit (income) loss	$ (3)	$ -

(1) Actuarial mark to market loss for 2022 was $37 million and was primarily associated with losses in the United Kingdom and United States plans ($23 million and $13 million, respectively). Actuarial mark to market gain for 2021 was $52 million and was primarily associated with gains in the Netherlands and the United Kingdom ($13 million and $36 million, respectively).

(2) In January 2021, our defined benefit plan in the Netherlands was closed to further pension benefit accruals. This amendment resulted in a plan curtailment gain of approximately $34 million recognized in "Other non-operating income, net" in the Statement of Operations for the year ended December 31, 2021.

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:

	U.S. Pension Plans		Non-U.S. Pension Plans	
	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
	(In millions)		(In millions)	
Amounts recognized in balance sheet consist of:				
Prepaid benefit cost within Other current assets	$ 28	$ -	$ -	$ -
Prepaid benefit cost within Other non-current assets	-	40	28	50
Accrued benefit cost within accrued liabilities	(1)	(1)	-	-
Accrued benefit cost within Other non-current liabilities	(10)	(14)	(101)	(109)
Net funded (unfunded) status recognized	$ 17	$ 25	$ (73)	$ (59)

Our postretirement plans were in underfunded position as of December 31, 2022 and 2021 and were $14 million and $17 million, respectively, primarily included within the Other non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Change in Projected Benefit Obligation and Plan Assets

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

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2022	2021	2022	2021
	(In millions)		(In millions)	
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 474	$ 519	$ 818	$ 988
Interest cost	12	11	10	8
Actuarial loss (gain)	(76)	(21)	(209)	(60)
Benefits paid	(35)	(35)	(31)	(32)
Settlements and curtailments	(22)	-	-	(34)
Currency translation	-	-	(57)	(52)
Projected benefit obligation at end of year	353	474	531	818
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 499	$ 531	$ 759	$ 813
Actual return (loss) on plan assets	(73)	2	(219)	9
Company contributions	1	1	6	9
Benefits paid	(35)	(35)	(31)	(32)
Settlements	(22)	-	-	-
Currency translation	-	-	(57)	(40)
Fair value of plan assets at end of year	370	499	458	759
Net funded (unfunded) status	$ 17	$ 25	$ (73)	$ (59)

Accumulated Benefit Obligations—As of December 31, 2022 and 2021, the accumulated benefit obligation for all defined benefit pension plans was $0.8 billion and $1.3 billion, 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, 2022	Year ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
	(In millions)		(In millions)	
Projected benefit obligation	$ 17	$ 30	$ 349	$ 520
Accumulated benefit obligation	17	30	349	520
Fair value of plan assets	6	15	246	411

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	
	2022	2021	2022	2021
Weighted average assumptions used to determine net periodic benefit obligations at December 31,				
Discount rate	4.93%	2.65%	4.08%	1.40%
Weighted average assumptions used to determine net periodic benefit cost:				
Discount rate	2.65%	2.20%	0.26%	0.72%
Expected return on plan assets [(1)]	3.85%	3.98%	4.11%	2.47%

(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, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Effect on	
	Pretax Pension Expense in 2022 [(1)]	Pension Benefit Obligation at December 31, 2022
	(in millions)	
25-basis-point change in discount rate	19	20

(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 2022.

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, 2022 and 2021:

	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

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Asset category	(In millions)			
Fixed income securities:				
U.S. fixed income securities	$ 233	$ 181	$ -	$ 414
International government bonds [1]	-	200	-	200
International corporate bonds [2]	-	184	9	193
International mortgage funds [3]	-	61	-	61
All other fixed income securities [4]	-	99	-	99
Equity securities:				
International funds [5]	-	93	-	93
Emerging markets growth funds	-	3	-	3
U.S. equity funds	-	4	-	4
Other investments:				
Asset allocation funds [6]	-	72	-	72
Cash and accrued items	119	-	-	119
Total Investments	$ 352	$ 897	$ 9	$ 1,258

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.

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:		
2023	$ 1	$ 12
Expected benefit payments:		
2023	$ 10	$ 31
2024	2	32
2025	1	32
2026	1	32
2027	1	32
2028-2032	7	161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Health Care Cost Inflation—As noted above, we provide specific postretirement health care benefits for eligible retired U.S. employees and their dependents. Eligible current retirees can elect coverage on a retiree-pay-all basis; there is no longer a company subsidy for the cost of coverage. Future retirees and new employees are not eligible for these post-retirement health care benefits. Additionally, there is a closed group of retirees for which we assume some or all of the cost of coverage. For this group, health care cost trend rates are projected at annual rates ranging from 7.00% in 2022, 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 2022 and the accumulated postretirement benefit obligation as of December 31, 2022.

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.

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 2022 and 2021, among other disclosures.

Pension Fund	EIN/Plan Number	Plan Year End	Pension Protection Act (1) 2022	(% Funded) 2021	FIP/RP Plan (1)	Total Company Contributions (2) 2022	(In millions) 2021	Expiration of Collective-Bargaining Agreement (3) (4)
Boilermaker-Blacksmith National Pension Trust (5)	48-6168020-001	12/31	65-80%	65-80%	Yes	$ 3	$ 2	Various
Boilermakers' National Pension Plan (Canada)	366708	12/31	N/A	N/A	N/A	3	1	04/2019
All Other (6)						-	-	
Total						$ 6	$ 3	

(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 2022 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 2019 the plan adopted a rehabilitation plan to enable the plan to reach a funded status of 65% or greater by the end of the rehabilitation period ending in December 31, 2031.

(6) Our remaining contributions in 2022 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 2022, we made contributions to our multi-employer plans of $4 million for these additional benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The following table presents the fair value of our financial instruments as of December 31, 2022 and 2021 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, 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)

	December 31, 2021				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
			(In millions)		
Measured at fair value on recurring basis					
Forward contracts [1]	$ (31)	$ (31)	$ -	$ (31)	$ -
Not measured at fair value on recurring basis					
Debt [2]	(653)	$ (394)	-	(237)	(157)

(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 and Make-Whole Exit Facility as of December 31, 2022 and 2021 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.

We executed an agreement with a third party to lease them 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 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 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.

In the second quarter of 2021, impairment triggers due to changes in the utilization plan were present for our fabrication yard in Dammam, Saudi Arabia. We tested the recoverability of operating lease assets and recorded impairment charges of approximately $2 million. In the first quarter of 2021, as a result of the continued impact of the COVID-19 pandemic and changes in prospective work schedules, we early terminated the Aqua Lift bareboat charter agreement, accounted for as an operating lease in our consolidated financial statements. As a result of the early termination, we tested the recoverability of the lease and other fixed assets associated with the vessel and recorded impairment charges of approximately $2 million to the operating lease asset and approximately $1 million to property and equipment associated with the vessel.

Impairment charges were recorded within our Corporate segment. The fair value measurements were based on inputs that are not observable in the market and thus represented level 3 inputs.

NOTE 13–DERIVATIVE FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Derivatives—The notional value of our outstanding foreign exchange rate derivative contracts designated as a cash flow hedges totaled approximately $2 billion as of December 31, 2022, with maturities extending through October 2024. These instruments consist of contracts to purchase or sell foreign-denominated currencies. As of December 31, 2022, the fair value of these contracts was in a net liability position totaling approximately $5 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, 2022, in connection with these instruments, we deferred approximately $56 million of net losses in AOCI, and we expect to reclassify approximately $24 million of deferred losses out of AOCI by December 31, 2023, as the hedged items impact earnings.

Interest Rate Derivative—The notional value of our amended and restated interest rate swap arrangement is $500 million as of December 31, 2022. The swap arrangement was designated as a cash flow hedge upon emergence as its critical terms matched those of the Term Loan Exit Facility. Accordingly, changes in the fair value of the swap arrangement are included in AOCI until the associated underlying exposure impacts our interest expense. As of December 31, 2022, the fair value of the swap arrangement was in a net asset position totaling approximately $3 million. As of December 31, 2022, in connection with the interest rate swap arrangement, we deferred approximately $8 million of net gains in AOCI.

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

	December 31, 2022		December 31, 2021	
	(In millions)			
Other current assets	$	12	$	7
Other non-current assets		-		2
Total derivatives asset	$	12	$	9
Accrued liabilities	$	10	$	33
Other non-current liabilities		4		7
Total derivatives liability	$	14	$	40

Under the netting arrangements with the same party approximately $9 million of derivative assets were offset against the derivative liabilities.

Derivatives not designated as cash flow hedges were in a net liability position of approximately $3 million (primarily within "Accrued liabilities" in our Balance Sheet) and had a notional value of $195 million as of December 31, 2022 and were not material as of December 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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,	
	2022	2021
	(In millions)	
Amount of gain (loss) recognized in OCI		
Foreign exchange hedges	$ (79)	$ (59)
Interest rate hedges	13	(3)
Gain (loss) recognized on derivatives designated as cash flow hedges		
Foreign exchange hedges		
Cost of operations	(32)	1
Interest rate hedges		
Interest gain	7	2

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,	
	2022	2021
	(In millions)	
U.S.:		
Current [1]	$ 5	$ (1)
Other than U.S.:		
Current [2]	100	48
Deferred	(3)	(5)
	$ 102	$ 42

(1) Consists 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,	
	2022	2021
	(In millions)	
U.S.	$ 5	$ (448)
Other than U.S.	(139)	(177)
Loss before provision for income taxes	$ (134)	$ (625)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation from a Bermuda statutory federal tax rate of zero for the years ended December 31, 2022 and 2021 to the consolidated effective tax rates:

	Year ended December 31,	
	2022	2021
Federal statutory rate	0%	0%
Rate differentials	(30%)	7%
Change in valuation allowance for deferred tax assets - U.S.	25%	(17%)
Change in valuation allowance for deferred tax assets - others	(42%)	(2%)
Withholding tax	(22%)	(5%)
U.K. tax law change	0%	8%
Uncertain tax position	(16%)	0%
Nontaxable intercompany item	23%	0%
Deemed profit	(7%)	0%
Expired foreign tax credits	(21%)	0%
Malaysia tax holiday benefit	5%	0%
Other	9%	2%
Effective tax rate	(76%)	(7%)

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

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

	December 31, 2022	December 31, 2021
	(In millions)	
Deferred tax assets:		
U.S. Federal net operating loss carryforward and other credits	$ 343	$ 381
Non-U.S. net operating losses	368	328
State net operating loss carryforward and other credits	159	158
Debt costs and disallowed interest	195	176
Depreciation and amortization	94	90
Allowance for doubtful accounts	49	50
Contract revenue and cost/long-term contracts	49	55
Operating lease liability	39	31
Partnership investments	26	28
Pension liability	22	19
Insurance and legal reserves	8	18
Accrued liabilities for incentive compensation	5	3
Other	28	19
Total deferred tax assets	1,385	1,356
Valuation allowance for deferred tax assets	(1,351)	(1,335)
Deferred tax assets	34	21
Deferred tax liabilities:		
Depreciation and amortization	$ 43	$ 50
Right of use assets	30	28
Investments in foreign subsidiaries	28	22
Other	20	11
Total deferred tax liabilities	121	111
Net deferred tax liabilities	$ (87)	$ (90)

As of December 31, 2022 and 2021, 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, 2022 and 2021 is approximately $161 million and $169 million, respectively the reversal of which would result in withholding tax of approximately $13 million and $17 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Valuation Allowance

At December 31, 2022, we had a VA of approximately $1.4 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 the Combination in 2018, we incurred losses primarily resulting from goodwill impairment during years ended December 31, 2020 and 2019. As a result of such losses, we have a cumulative consolidated loss for the three years ended December 31, 2022. Accordingly, in assessing the positive and negative evidence related to the likelihood of utilizing the 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, 2022.

	2022	2021
	(In millions)	
Balance at beginning of period	$ 1,335	$ 1,226
Charged to costs and expenses	25	118
Charged to other accounts	(9)	(9)
Balance at end of period	$ 1,351	$ 1,335

Other

As of December 31, 2022, our Non-U.S., U.S. and State NOL DTAs, VAs and expiration dates were as follows:

	NOL DTA	VA	Expiration
Non-U.S.	$ 368	(364)	2023 - Unlimited
U.S	245	(245)	Unlimited
State	159	(159)	2023 - 2042

We operate under a tax holiday in Malaysia, effective through December 31, 2025. The Malaysian tax holiday reduced our foreign income tax expense by $6.4 million and $14 million in 2022 and 2021, 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 2011.

A reconciliation of unrecognized tax benefits is as follows:

	Year ended December 31,	
	2022	2021
	(In millions)	
Balance at beginning of period	$ 54	$ 55
Increases based on tax positions taken in the current year	11	4
Decreases based on tax positions taken in prior years	(6)	(11)
Increases based on tax positions taken in prior years	-	12
Decreases due to lapse of applicable statute of limitation	-	(6)
Balance at end of period	$ 59	$ 54

Approximately $59 million of the balance of unrecognized tax benefits at December 31, 2022 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, 2022 and 2021, we had recorded liabilities of approximately $23 million and $16 million, respectively, for the payment of tax-related interest and penalties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Outstanding shares
	(In millions)
Balance at December 31, 2020	575
Share issuance, net	5
Balance at December 31, 2021	580
Share issuance, net	8
Balance at December 31, 2022	588

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. As consideration for entering into the Escrow LC Credit Agreement, the participants were issued 220,000 shares of newly created Series A Preferred Shares (the "Series A Preferred Shares") (see Note 16, *Redeemable Preferred Stock*, for further discussion).

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—The Plan of Reorganization provided for the creation of the management equity incentive plan (the "MIP") for equity awards to management employees and members of our board of directors. Compensation expense associated with the MIP was approximately $3 million during the year ended December 31, 2022. As of December 31, 2022, the unrecognized compensation expense was approximately $5 million and will be recognized over a weighted-average period of approximately twelve months.

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, 2020	(1)	53	-	52
Other comprehensive loss before reclassification	(11)	(62)	1	(72)
Amounts reclassified from AOCI [2]	-	2	-	2
Net current period other comprehensive loss	(11)	(60)	1	(70)
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)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16–REDEEMABLE PREFERRED STOCK

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. In addition, as consideration for entering into the Escrow LC Credit Agreement, the participants were issued 220,000 Series A Preferred Shares. Our Series A Preferred 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 Preferred Share, or $220 million in the aggregate. The Series A Preferred Shares are generally non-voting other than with respect to modifications to the terms of the Series A Preferred Shares that would have an adverse effect on the holders thereof.

The Series A Preferred 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 Preferred Shares may also require us to redeem such shares at the same price at any time following the fifth anniversary of issuance. The Series A Preferred 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 ordinary shares. As a result of the holders' contingent redemption rights that are outside of our control, our Redeemable Preferred Stock is classified outside of stockholders' equity in the mezzanine section of the MIL Balance Sheet.

The fair value of the Redeemable Preferred Stock was based on the income approach, using a calculation of the present value of future cash flows based on our financial projections, and was $129 million as of December 31, 2020. The fair value measurement was based on inputs that are not observable in the market and thus represented level 3 inputs.

In connection with issuance of the Redeemable Preferred Stock we recognized $26 million and $103 million in Other current assets and Other non-current assets, respectively, in the MIL Balance Sheet as of December 31, 2020. These assets are amortized into Interest expense, net through the expected redemption date of December 31, 2025.

During the year ended December 31, 2022, we recorded $26 million of accretion and $22 million of dividends as an adjustment to the carrying value of the Redeemable Preferred Stock and reduction to Accumulated deficit. Accretion will continue to be recorded over the period of five years from the date of issuance through the expected redemption date of December 31, 2025 using the effective interest method. We record a liability for dividends in the period they are declared.

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 any of these other 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.

Project Arbitration and Related Matters—We are in arbitration proceedings (governed by the arbitration rules of the International Chamber of Commerce) entitled Refineria de Cartagena S.A. v. Chicago Bridge & Iron Company N.V., et al., which were commenced on March 8, 2016 in connection with a large, cost reimbursable refinery construction project in Colombia completed by CB&I in 2015 (the "Reficar Refinery"). Refineria de Cartagena, the customer on the project, is alleging that we are responsible for certain cost overruns, delays and consequential damages on the project. The customer is claiming total damages in excess of $4.5 billion. We have asserted a claim against the customer for approximately $250 million. Hearings were held on several dates beginning in May 2021 through July 2021. Post hearing briefs were submitted and closing arguments were held in November 2021, with an award anticipated in the first half

of 2023. We do not believe a material loss is probable related to this matter and, accordingly, no amounts have been accrued as of December 31, 2022. Although it is possible that a loss may be incurred, we are unable to estimate the range of potential loss, if any.

In 2017, the Contraloría General de la República (the "Contraloria"), an administrative agency of the Republic of Colombia, commenced a proceeding alleging improper cost overruns and lost profits in connection with the construction and modernization of the Reficar Refinery. On April 26, 2021, the Contraloria issued its opinion that multiple entities, including two of our subsidiaries, two unrelated companies, five insurance companies, and 12 individuals, none of whom are associated with our company, were jointly and severally responsible for cost overruns totaling approximately 2.95 trillion Colombian pesos (or approximately $619 million as of December 31, 2022) on the project. We and others 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 of the Contraloria. Our subsidiaries are seeking to void the judgment within the Colombian court system, have filed a bilateral investment treaty arbitration proceeding, and will resist any attempts to enforce the decision through any foreign court proceedings. The Contraloria proceedings particular to lost profits have been closed with a finding that Reficar suffered no lost profits, which decision was upheld on appeal. We do not believe a risk of material loss is probable related to this matter and, accordingly, our reserves for this matter were not significant as of December 31, 2022.

In addition, 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 and 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, which resulted in the respondent in the arbitration (the customer) applying to an Australian court to set aside the tribunal's September 2020 interim award. The hearing on that application was held before the 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 has filed an application for appeal to the High Court of Australia. As of December 31, 2022, we have recorded a reserve of approximately $20 million for 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, 2022. 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 January 24, 2018 to October 30, 2018. The case is captioned: Edwards v. McDermott International, Inc., et al., No. 4:18-cv-04330. 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 alleged 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 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 plaintiff has alleged that the defendants made material misrepresentations and omissions in the proxy statement used by MII in connection with the Combination. The plaintiff asserted claims under Section 14(a) and 20(a) of the Exchange Act. This action was filed shortly before the statutory deadline to apply to be the lead plaintiff for the claims asserted in the Edwards action. 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 lead plaintiff for the Section 14(a) claims under the Exchange Act 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. These motions were denied on or about March 31, 2021, and fact discovery is proceeding. Plaintiffs in both actions filed a motion for class certification on September 29, 2021. We do not believe a material loss is probable related to this matter and, accordingly, no amounts have been accrued as of December 31, 2022. We believe the claims are without merit and we intend to defend against them vigorously.

On or about July 17, 2020, 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's common stock and alleging damages on their behalf arising from allegedly false and misleading statements made during the class period from September 20, 2019 to January 23, 2020. The case is captioned Ahnefeldt, et al. v. Dickson, et al., No. 4:20-cv-02539 (the "Ahnefeldt action"). The defendants are MII's former President and Chief Executive Officer, and two of its former Chief Financial Officers. MII is not a party to the lawsuit. The plaintiffs allege that the defendants made material misrepresentations and omissions about the sale of certain assets of MII and MII's liquidity leading up to its bankruptcy filing in 2020 and assert claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder. On July 28, 2020, the lead plaintiff in the Edwards action filed a motion to consolidate the Ahnefeldt action with and into the Edwards action. That motion was granted on April 12, 2021. On September 16, 2020, the Ahnefeldt plaintiffs and the lead plaintiff in the Edwards action, among others, filed motions to be appointed the lead plaintiffs for the claims asserted in the Ahnefeldt action. On September 29, 2021, the court granted the motion of the court-appointed lead plaintiff in the Edwards action to be lead plaintiff as to the Ahnefeldt action, and that plaintiff was granted leave by the court to file a supplemental consolidated class action complaint which would encompass the claims asserted in both the Edwards and Ahnefeldt actions. On November 23, 2021, defendants in the Edwards Action filed a motion to dismiss the claims newly asserted in that action that had previously been asserted in the Ahnefeldt Action. On September 22, 2022, the defendants' motion to dismiss the claims previously asserted in the Ahnefeldt action was granted. We do not believe a material loss is probable related to this matter and, accordingly, no amounts have been accrued as of December 31, 2022. We believe the claims are without merit and we intend to defend against them vigorously.

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 described above. The case is captioned: Kingstown Capital Management, L.P., et al. v. David Dickson, et al., No. 4:20-cv-02880. The defendants are MII, MII's former President and Chief Executive Officer and its former Chief Financial Officer. The plaintiffs assert causes of action based on alleged violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder. In response to the amended complaint, the defendants filed a motion to dismiss all claims on November 13, 2020. On November 24, 2020, the court entered a stipulation and order extending the plaintiffs' deadline to respond to the motion to dismiss. The court denied the motion to dismiss on August 23, 2021, and fact discovery is proceeding. We do not believe a material loss is probable related to this matter and, accordingly, no amounts have been accrued as of December 31, 2022. We believe the claims are without merit and we intend to defend against them vigorously.

SEC and Federal Grand Jury Investigations—By letter dated July 26, 2019, together with accompanying subpoenas, the U.S. Securities and Exchange Commission (the "SEC") notified us that it is conducting an investigation related to disclosures concerning the reporting of projected losses associated with the Cameron LNG project. A further subpoena, seeking personnel records of certain employees, was received from the SEC on or about January 19, 2021. We have been and intend to continue cooperating with the SEC in this investigation, including by producing documents requested by the SEC. Also, by letter dated February 25, 2020, together with an accompanying subpoena, the office of the United States Attorney for the Southern District of Texas within the U.S. Department of Justice notified us that a Federal Grand Jury is conducting a criminal investigation and requested various documents, including cost forecasts and other financial-related information, related to the Cameron LNG project. We fully cooperated with the Department of Justice's investigation and on December 2, 2022, the Department of Justice advised us in writing that it was closing its investigation related to this matter without action.

Saudi Arabia Customs Audit—During the fourth quarter of 2019, McDermott Arabia Co. Ltd received a customs audit report from the General Directorate of Customs Audit department in Saudi Arabia, stating that additional custom duties are applicable on structures and platforms imported during the period 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. During the first quarter of 2020, McDermott Arabia Co. Ltd received communications from the Saudi Arabia Customs Authority that the matter had been submitted to the World Customs Organization for consultation and, until further update, McDermott Arabia Co. Ltd can continue importing offshore platforms under the customs exempt code. During the third quarter of 2020, McDermott Arabia Co. Ltd received formal demands for payment from the Saudi Arabia Customs Authority for these retroactive customs duties and submitted initial objections to dispute such demands. The Customs Committee heard the matter on May 24, 2021, and on July 4, 2021 , the Committee requested technical clarifications about the purpose and functionality of the structures and platforms imported by McDermott to which McDermott responded and provided the requested details on August 15, 2021. Subsequently on October 18, 2021, the Primary Customs Committee issued its decision rejecting

McDermott Objections on these collections orders and confirming Customs right to claim the retroactive customs duties, to which McDermott has filed an appeal to the Higher Customs Committee on November 16, 2021.

In 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. However, this issue is still being discussed with ZATCA that we are still contesting the original amount of $63.4 million and this additional claim relates to the same issue.

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, 2022. We believe the audit reports are incorrect, and we intend to challenge the 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 2023. As of December 31, 2022, we had no material environmental reserves recorded.

Contracts Containing Liquidated Damages Provisions

Some of our contracts contain provisions that require us to pay liquidated damages if we are responsible for the failure to meet specified contractual milestone dates and the customer asserts a claim under those provisions. Those contracts define the conditions under which our customers may make claims against us for liquidated damages. In many cases in which we have historically had potential exposure for liquidated damages, such damages ultimately were not asserted by our customers. As of December 31, 2022 and December 31, 2021, we determined that we had approximately $494 million and $593 million of potential liquidated damages exposure based on performance under contracts to date, respectively. We included $3 million and $4 million, respectively, as reductions in transaction prices related to such exposure as of December 31, 2022 and December 31, 2021. Significant potential liquidated damages exposures included in the $494 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) an exposure for $95 million, where we are pending relief from the customer; (4) an exposure for $75 million, where we are pending relief from the customer following negotiations; and (5) an exposure for $61 million, where we are pending relief from the customer on a schedule extension. Based on our historical experience in these circumstances, we believe that this relief will be granted.

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.

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.

As discussed in Note 1, *Nature of Operations and Organization*, effective the second quarter of 2022 we reorganized our structure from geographical into business line segments. Our CODM now reviews financial results under four operating groups, which represent our business line reporting segments consisting of (1) Onshore, 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.

Previously reported segment financial information for the year ended December 31, 2021 has been recast to conform to the new reporting segment alignment.

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

Revenue and operating results were as follows:

	Year ended December 31,	
	2022	2021
	(In millions)	
Revenues:		
Onshore	$ 1,670	$ 1,788
Offshore Middle East	2,115	1,375
Subsea and Floating Facilities	1,666	1,086
CB&I	795	638
Total revenues	$ 6,246	$ 4,887
Operating (loss) income:		
Segment operating (loss) income [(1)]:		
Onshore	$ (65)	$ (126)
Offshore Middle East	(38)	(142)
Subsea and Floating Facilities	25	(154)
CB&I	32	38
Total segment operating loss	(46)	(384)
Corporate and Global Operations [(2)]	83	(234)
Total operating income (loss)	$ 37	$ (618)

(1) Segment operating results for the year ended December 31, 2022 include gain from sale of marine assets of approximately $5 million and $4 million in our Offshore Middle East and Subsea and Floating Facilities segments, respectively.

(2) Corporate operating results for the year ended December 31, 2022 include approximately $217 million of net gains from the disposal of our ownership interest in Net Power LLC during the second quarter of 2022, as discussed in Note 7, *Joint Venture and Consortium Arrangements*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Depreciation and amortization expense and capital expenditures were as follows:

	Year ended December 31,	
	2022	2021
	(In millions)	
Depreciation and amortization:		
Onshore	$ 3	$ (1)
Offshore Middle East	41	50
Subsea and Floating Facilities	49	46
CB&I	37	42
Corporate and Global Operations	12	16
Total depreciation and amortization	$ 142	$ 153
Capital expenditures [(1)]:		
Onshore	$ 1	$ -
Offshore Middle East	17	4
Subsea and Floating Facilities	12	111
CB&I	10	4
Corporate and Global Operations [(2)]	183	91
Total capital expenditures	$ 223	$ 210

(1) Capital expenditures represent cash purchases. At December 31, 2022 and 2021, we had approximately $7 million and $58 million, respectively, of accrued and unpaid capital expenditures.
(2) Corporate capital expenditures are primarily related to capital expenditures associated with Amazon vessel, including those financed under the "Amazon Financing Facility", discussed in Note 9, *Debt.*

Segment assets were as follows:

	December 31, 2022	December 31, 2021
	(In millions)	
Segment assets:		
Onshore	$ 838	$ 1,013
Offshore Middle East	1,245	1,147
Subsea and Floating Facilities	1,557	1,223
CB&I	578	519
Corporate and Global Operations	756	1,315
Total assets	$ 4,974	$ 5,217

Significant Customer Information

Our significant customers by segments during 2022 and 2021 were as follows:

	% of Consolidated Revenues	Reportable Segments
Year ended December 31, 2022:		
Saudi Aramco	26%	Offshore Middle East/CB&I
Golden Pass Products LLC	14%	Onshore/CB&I
Year ended December 31, 2021:		
Saudi Aramco	23%	Offshore Middle East
TOTAL group of companies	10%	Onshore/Subsea and Floating Facilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Operating Information by Geography

	Year ended December 31, 2022	Year ended December 31, 2021
	(In millions)	
Geographic revenues:		
United States	$ 1,801	$ 1,564
Saudi Arabia	1,727	1,239
Australia	763	375
Qatar	505	207
India	275	253
Uganda	188	30
Myanmar	127	40
Canada	98	64
Denmark	68	83
United Arab Emirates	59	68
Mozambique	55	316
Other countries	580	648
Total revenues	$ 6,246	$ 4,887

	December 31, 2022	December 31, 2021
	(In millions)	
Property, plant and equipment, net [1]:		
Spain	$ 448	$ -
Malta	146	-
United Arab Emirates	131	172
United States	120	140
Indonesia	32	80
Mexico	22	25
India	2	61
Netherlands	-	403
Other countries	150	219
Total property, plant and equipment, net	$ 1,051	$ 1,100

(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 March 16, 2023, the date these financials were available to be issued.