

McDERMOTT INTERNATIONAL, INC.**Audit Committee Charter*****Purpose***

The primary function of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of McDermott International, Inc. (hereinafter, "McDermott" and, together with its subsidiaries (unless the context otherwise requires), the "Company") is to assist the Board in fulfilling its oversight responsibilities with respect to financial reports and other financial information provided by the Company to its shareholders and others and, in conjunction with that primary function, carry out the following:

- monitor the Company's accounting and financial reporting processes, including its internal control over financial reporting and disclosure controls and procedures;
- oversee the integrity of the financial statements of the Company;
- monitor the compliance by the Company with legal and regulatory requirements;
- oversee compliance with the Company's policies with respect to financial risk assessment and management, and particularly the Company's management of major financial risk exposures;
- evaluate the independence, qualifications and performance of the Auditors (as defined herein) and be responsible for the appointment, compensation, retention and oversight of the work of the Auditors;
- oversee the performance of the Company's internal audit function;
- oversee certain aspects of the Company's Compliance and Ethics Program relating to financial matters, books and records and accounting and as required by applicable statutes, rules and regulations;
- provide an open avenue of communication among the Auditors, financial and senior management, the Company's internal audit department and the Board; and
- oversee the Company's compliance with the reporting requirements established by the U.S. Securities and Exchange Commission (the "SEC") applicable to the audit committee of a company with a class of securities registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Committee shall also prepare the report required by the rules of the SEC to be included in the Company's proxy statement for its annual meeting.

Committee Membership

The Committee shall consist of no fewer than three members of the Board. All members of the Committee shall be financially literate, and at least one member shall meet the qualifications of an "audit committee financial expert," as defined in Item 407(d)(5) of Regulation S-K promulgated by the SEC and meet the accounting or related financial management expertise requirements of the New York Stock Exchange (the "NYSE"). Satisfaction of the foregoing requirements shall be determined by the Board in its business judgment. As required by the Company's Corporate Governance Guidelines, Audit Committee members should advise the Chairman of the Board, the Committee Chair of the Governance Committee and the Company's General Counsel in advance of accepting an appointment onto a fourth public company audit committee to facilitate a determination as to whether such appointment would impair the ability of the Director to effectively serve on the Company's Audit Committee.

Each member of the Committee shall meet the independence requirements of Section 10A(m)(3) of the Exchange Act (and the rules promulgated thereunder) and the corporate governance rules of the NYSE. Accordingly, all of the members will be directors independent of management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member. Without limiting the generality of the foregoing, except in any such member's capacity as a

member of the Committee, the Board, or any other Board committee, no member shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary thereof, or be an affiliated person of the Company or any subsidiary thereof.

The members of the Committee shall be appointed by the Board, on the recommendation of the Governance Committee of the Board, and shall serve until their successors are duly appointed and qualified, or until their earlier death, resignation or removal. The Board shall have the authority at any time to remove one or more members of the Committee, for any reason. The Committee Chair shall be designated by the Board. If the Board should fail to designate a Committee Chair, the members of the Committee may designate a Committee Chair by majority vote of the Committee members.

Meetings and Agenda Items

The Committee shall meet at least four times annually or more frequently as circumstances dictate. Meetings may be called by or at the direction of the Committee Chair, any two members of the Committee or the Chairman of the Board (or the Lead Director, if a Lead Director has been appointed in accordance with the Company's Corporate Governance Guidelines). A written agenda shall be prepared by or under supervision of the Committee Chair and distributed in advance of each meeting. The Committee may meet by teleconference and act by unanimous written consent or electronic transmission as permitted by applicable law. A majority of the members of the Committee shall constitute a quorum for any meeting of the Committee. All matters to be decided at a meeting duly called and held shall be decided by the affirmative vote of a majority of the Committee membership present in person or via teleconference at the meeting. The Committee Chair shall preside at the meetings of the Committee. In the absence of the Committee Chair, the majority of the members of the Committee present at a meeting shall appoint a member to preside at the meeting. Committee members and other directors may suggest the addition of any matter to the agenda for any meeting of the Committee. Any Committee member may raise at any meeting of the Committee any subjects that are not on the agenda for that meeting. The Committee may adopt such other rules and regulations for calling and holding its meetings and for the transaction of business at such meetings as may be necessary or desirable and not inconsistent with the By-Laws of the Company or this Charter.

The Committee shall meet periodically with management, the Company's highest ranking employee responsible for the internal audit function (the "Internal Audit Director") and the Auditors, in separate executive sessions, to discuss any matters that the Committee or any of these individuals or groups believe should be discussed privately.

The Committee will maintain written minutes of all its meetings, which will be available to every member of the Board.

The Committee shall be given the resources and assistance necessary to discharge its responsibilities, including unrestricted access to Company personnel and documents. The Company's Corporate Secretary shall be responsible for the timely delivery of the meeting materials, including meeting agendas and backup materials, and the preparation of the minutes of the meetings of the Committee.

Any member of the Board who is not a member of the Committee may attend any Committee meeting with the concurrence of the Committee Chair or a majority of the members of the Committee.

Committee Authority and Responsibilities

The Committee's principal responsibility is one of oversight. The Company's management is responsible for, among other things: the preparation, presentation and integrity of the Company's financial statements; the appropriateness of the accounting principles and reporting policies that are used by the Company; and establishing and maintaining internal control over financial reporting. The Auditors are responsible for auditing the Company's annual financial statements and the effectiveness of internal control over financial reporting, and for reviewing the Company's unaudited interim financial statements. Although the Committee

has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to determine that the Company's financial statements are complete and accurate and have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") or to provide any expert or special assurance as to the Company's financial statements or any professional certification as to the work of the Auditors. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from whom he or she receives information and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

Pursuant to the U. S. Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes Oxley Act") and the rules and regulations of the SEC, the Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for McDermott (any such firm is referred to in this charter as the "Auditors"). Accordingly, the Committee shall have the sole authority to appoint and, where appropriate, replace the Auditors and to approve all the Auditors' audit engagement fees and terms. The Committee shall be directly responsible for the oversight of the work of the Auditors for the purpose of preparing or issuing any audit report or related work or performing any other services for the Company. The Auditors shall report directly to the Committee. The Committee shall have and may exercise all the powers of the Board, except as may be prohibited by applicable law, with respect to all matters encompassed by this Charter, and shall have all the power and authority required under the Sarbanes-Oxley Act.

Prior to the initial engagement of any public accounting firm as the Auditors, the Committee shall obtain and review a written report from such accounting firm regarding all relationships between such accounting firm or its affiliates (as defined by the U.S. Public Company Accounting Oversight Board (the "PCAOB")) and the Company or persons in a financial reporting oversight role, including all matters set forth in PCAOB Rule 3526(a). The Committee shall discuss such report and the potential effects of such relationships with such accounting firm before its initial engagement as the Auditors. The substance of such discussion shall be documented in writing.

The Committee shall preapprove all audit, review or attest engagements and permissible non-audit services, including the fees and other terms thereof, to be performed by the Auditors, subject to, and in compliance with, the *de minimis* exception for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act and the applicable rules and regulations of the SEC. The Committee shall review and discuss with the Auditors any documentation supplied by the Auditors as to the nature and scope of any tax services to be approved, as well as the potential effects of the provision of such services on the independence of the Auditors.

The Committee may form and delegate authority to subcommittees consisting of one or more members when the Committee deems it appropriate to do so, including the authority to grant preapprovals of audit and other permissible services. The Committee also may delegate such preapproval authority to any of its members. Any decisions of such subcommittees or members to grant preapprovals shall be reported to the full Committee at the next meeting of the Committee.

The Committee shall have the authority to engage independent counsel for the Committee or other advisors, as it determines necessary to carry out its duties. Notwithstanding the foregoing, the Committee shall not be required to implement or act consistently with the advice or recommendations of its advisors, and the retention of any such advisors shall not affect the ability of the Committee to exercise its own judgment in the fulfillment of its duties and responsibilities under this Charter.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the Auditors for the purpose of preparing or issuing an audit report or performing any other services for the Company, compensation to any advisors employed by the Committee, and administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

In addition to the authority and responsibilities described above, the following lists many of the common, recurring activities of the Committee in carrying out its oversight responsibilities. This listing is intended as a guide, with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

The Committee will:

Disclosure and Reporting

1. Oversee the preparation and approval of reports for inclusion in the Company's annual meeting proxy statements (or in the Company's Annual Reports on Form 10-K, if required to be included therein), with the names of all Committee members, stating whether the Committee has:

- (i) reviewed and discussed the audited financial statements with management;
- (ii) discussed with the Auditors matters requiring discussions by applicable Auditing Standards ("AS") adopted by the PCAOB, including AS No. 16, *Communications with Audit Committees*;
- (iii) received the written disclosures and letter from the Auditors required by applicable requirements of the PCAOB regarding the Auditors' communications with the Committee concerning independence and discussed with the Auditors the independence of the Auditors; and
- (iv) based on the reviews and discussions referred to in the preceding clauses (i) and (iii), recommended to the full Board that the audited financial statements be included in McDermott's Annual Report on Form 10-K.

2. Obtain confirmation from the Company's management that McDermott provides the NYSE with applicable written confirmations, including confirmations regarding:

- (i) any determination the Board has made regarding the independence of directors;
- (ii) financial literacy of Committee members; and
- (iii) the determination that at least one of the Committee members has accounting or related financial management expertise.

Documents/Reports Review

3. Review and discuss with the Company's management and the Auditors the annual audited financial statements, and the related footnotes and disclosures, as well as the disclosures made in management's discussion and analysis of financial condition and results of operations in the Company's Annual Report on Form 10-K, and the associated management representation letter.

4. Review and discuss with the Company's management and the Auditors the Company's quarterly financial statements, and the related footnotes and disclosures, as well as the disclosures made in management's discussion and analysis of financial condition and results of operations prior to the filing of the Company's Quarterly Reports on Form 10-Q, including any matters required to be communicated to the Committee under the applicable standards of the PCAOB, including AS 4105, *Reviews of Interim Financial Information*, arising in connection with the Company's quarterly financial statements.

5. Discuss with the Company's management and the Internal Audit Director, management's process for assessing the effectiveness of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, including any material weaknesses or significant deficiencies identified.

6. Periodically discuss with the Company's management its process for performing the work necessary to provide the required quarterly certifications by McDermott's Chief Executive Officer and Chief Financial Officer under Sections 302 and 404 of the Sarbanes-Oxley Act.

7. Review and discuss with the Company's management and the Auditors, on an annual basis:

- (i) major issues and judgments regarding accounting principles and financial statement presentations, including any significant changes in the selection or application of accounting principles, any major issues concerning the adequacy of the Company's internal controls (including the Company's audit and financial controls and information technology security and controls), any special audit steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in the Company's internal control over financial reporting;
- (ii) analyses prepared by management and/or the Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative methods of GAAP on the financial statements; and
- (iii) management's report on its assessment of the effectiveness of internal control over financial reporting and the report of the Auditors on the effectiveness of internal control over financial reporting, prior to the filing of the Company's Annual Report on Form 10-K.

8. Discuss with the Auditors the characterization of any significant deficiencies or material weaknesses in internal control over financial reporting, and discuss with the Company's management its remediation plan to address any internal control significant deficiencies or material weaknesses. The Committee will consider whether disclosures describing any identified material weaknesses and management's remediation plans with respect thereto are clear and complete.

9. Discuss with the Company's management, the Internal Audit Director and the Auditors: (i) any changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting that are required to be disclosed, and (ii) any other changes in internal control over financial reporting that were considered for disclosure in the Company's periodic filings with the SEC.

10. Review with the Company's management, prior to public release, the Company's earnings press releases, including the use of any "non-GAAP financial measures," as well as financial information and earnings guidance provided to analysts and rating agencies, to the extent inconsistent with financial information and earnings guidance previously reviewed by the Committee. Such discussion may be done generally (covering, for example, the types of information to be disclosed and the types of presentation to be made).

11. Review with the Company's management and the Auditors the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the Company's financial statements.

12. Review with the Auditors (i) all critical accounting policies and practices used by the Company, (ii) all alternative treatments of financial information within GAAP relating to material items that have been discussed with the Company's management, including the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the Auditors, and (iii) other material written communications between the Auditors and the Company's management.

13. Keep the Auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company; and review and discuss with the Auditors the evaluation by the Auditors of the Company's identification of, accounting for, and disclosure of

its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.

14. Meet periodically with the Company's management to review the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures, including the Company's policies and guidelines concerning risk assessment and risk management.

15. Have oversight responsibility for aspects of the Company's Compliance and Ethics Program relating to financial matters, books and records, and accounting and as required by applicable statutes, rules and regulations.

Auditors

16. Advise the Board each year of the Committee's appointment of an independent registered public accounting firm to serve as the Auditors. The Committee will not appoint or otherwise approve a registered public accounting firm to perform an audit if the Company's Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Controller (or equivalent) was employed by the accounting firm and participated in the Company's audit during the one-year period preceding the date of initiation of the current audit. Notwithstanding the power and authority of the Committee with respect to the appointment, compensation, retention and oversight of the Auditors, the Committee, in its discretion, may submit any such matter, along with its recommendation with respect thereto, to the full Board for consideration, approval and ratification, and the full Board may, in its discretion, submit appointment of the Auditors to the shareholders of the Company for ratification.

17. At least annually, obtain and review a report by the Auditors describing (i) the Auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the Auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years with respect to one or more independent audits carried out by the Auditors, and any steps taken to deal with any such issues; and (iii) all relationships between the Auditors and the Company or persons in a financial reporting oversight role at the Company (each, a "Statement as to Independence"), as contemplated by applicable PCAOB requirements, including PCAOB Rule 3526(b), which report also shall affirm the independence of the Auditors as of the date of the report (it being understood that the Auditors shall be responsible for the accuracy and completeness of each such Statement as to Independence), discuss with the Auditors matters that could affect the independence of the Auditors, including those relationships described in the Auditors' most recent annual Statement as to Independence, which discussions shall be documented in writing, discuss with the Auditors the nature and scope of any non-audit services which may have been provided that might impact the Auditors' objectivity and independence, and take appropriate action in response to the most recent Statement as to Independence and such discussions to satisfy the Committee of the continuing independence of the Auditors. In connection with taking any such action, the Committee shall take into account the opinions of the Company's management and the Internal Audit Director. The Committee shall present its conclusions with respect to the Auditors to the full Board.

18. On an annual basis, after completion of the annual audit of the Company's consolidated financial statements included in the Annual Report on Form 10-K and prior to its filing, review with the Auditors any significant changes required in the examination plan; any serious difficulties or disputes with the Company's management encountered during the course of the audit; management's response to any such difficulties or disputes; and other matters related to the conduct of the audit which are to be communicated to the Audit Committee under the applicable standards of the PCAOB, including, but not limited to, discussions relating to the Auditors' judgment about such matters as the quality, not just the acceptability, of the Company's accounting practices, the Auditors conclusions regarding the Company's critical accounting estimates and other items in accordance with AS No. 16, *Communications with Audit Committees*. On an annual basis, obtain from the Auditors assurance that Section 10A(b) of the Exchange Act has not been implicated with respect to the Company's most recently completed fiscal year.

19. Require that the Auditors communicate to the Committee (or be satisfied that the Company's management has communicated) with regard to their quarterly reviews any material developments or issues concerning the matters referred to in AS No. 16.

20. Periodically review and evaluate the capabilities and performance of the lead and engagement partner of the Auditors.

21. Confirm the regular rotation of the audit partners as required by applicable law and NYSE listing standards. Consider whether there should be regular rotation of the Auditors.

22. Review with the Auditors any communication or consultation between the Company's audit team and the Auditors' national office respecting auditing or accounting issues presented by the engagement.

23. Establish hiring policies for the Company's employment of the Auditors' personnel or former personnel, which may take into account whether a proposed employee participated in any capacity in the audit of the Company.

24. Meet with the Auditors prior to the audit to review the planning and staffing of the audit.

Internal Audit Function

25. Annually review the Company's internal audit function structure, roles and responsibilities, and, at such times as the Committee deems appropriate, review and approve the appointment, replacement, reassignment or dismissal of the Internal Audit Director.

26. Require the Internal Audit Director to submit annually to senior management of the Company and the Committee a summary of the internal audit work schedule, staffing plan, other resources and budget for the following fiscal year (each, an "Internal Audit Plan") and approve each such Internal Audit Plan. Each Internal Audit Plan shall take into consideration the expectations of the Committee, senior management of the Company and other key stakeholders. The internal audit work schedule included within each Internal Audit Plan is to be developed based on a prioritization using a risk-based methodology. Any significant deviation from any such work schedule shall be communicated to senior management of the Company and the Committee through periodic activity reports. In any event, the Committee will review and approve any significant changes in the planned scope of the annual internal audit activities and any significant restrictions or limitations thereon, to ensure that there are no unjustified restrictions or limitations on such activities.

27. Periodically review and assess the adequacy of, and approve any modifications to, the Company's Internal Audit Department Charter.

28. Periodically review the results of the internal audit process with the Company's management and the Internal Audit Director, including progress of the Internal Audit Plan, significant findings, management's responses thereto, and the status of corrective actions or implementation of recommendations.

Ethical and Legal Compliance

29. Review the Company's compliance with applicable laws and regulations and review and oversee the Company's policies, procedures and programs designed to promote legal and regulatory compliance.

30. Review with McDermott's chief legal officer any legal matter that could have a significant impact on the financial statements, the Company's relevant compliance policies and any material reports or inquiries received from, or other significant correspondence with, regulators or governmental agencies.

31. Review management's monitoring of compliance with McDermott's Code of Business Conduct, and consider whether management has the proper review system in place to ensure that McDermott's

financial statements, reports and other financial information disseminated to the public satisfy legal requirements.

32. Review and take appropriate action with respect to any disclosures that the Company's management, the Internal Audit Director or the Auditors make to the Committee in connection with any fraud that involves management or other employees of the Company who have a significant role in the Company's internal control over financial reporting.

33. Oversee the establishment and maintenance of procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other

34. As and when the Committee deems it appropriate, conduct or authorize investigations into any matters within the scope of its responsibility. In addition to the powers and authority otherwise provided for in this Charter, the Committee shall have full authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company, and to request any director, officer or employee of the Company, the Auditors, the Company's outside counsel or other advisors to attend and provide information at any meeting of the Committee or to meet with and provide information to any members of, or counsel or consultants to, the Committee.

35. Be responsible for the oversight of risks related to the Committee's oversight areas, as set forth in this Charter and as required by the NYSE listing requirements, and periodically report to the Board on such risks.

36. Review annually the Committee's own performance and report such assessment to the Board and/or the Governance Committee.

37. Make regular reports to the Board.

38. Review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.

39. Take such other actions and carry out such other duties and responsibilities as may be assigned to the Committee from time to time by the Board.