



UNLOCKING OPPORTUNITIES

McDermott International, Inc.
2009 Annual Report

Growth Initiatives



Floating Facilities

As the oil and gas industry ventures into deeper waters and projects increase in size and complexity, floating production systems (“FPS”) are becoming increasingly important to hydrocarbon production. J. Ray continues to expand our capabilities to be well prepared to provide innovative FPS solutions in the deepwater basins of the world. Our experience and knowledge covers all phases of engineering, procurement, construction and installation for the full range of FPS solutions, including tension leg platforms, Spars, floating production storage and offloading systems, and semi-submersibles. Through our joint venture, FloaTEC, we are able to provide an unmatched portfolio of deepwater FPS solutions for the customer while leveraging the worldwide resources and capabilities of the parent companies. Our FPS capabilities will be expanded with the development of our new deepwater fabrication facility through our China joint venture and further expansion of our fabrication facility opened in Mexico.



SURF

To further serve the growing deepwater market, we recently formed a subsea infrastructure, umbilical, riser and flowline systems (“SURF”) division to offer complete engineering, procurement, construction and installation project delivery. Our SURF engineering subsidiary offers a deep and broad range of capabilities to support the design and installation of subsea pipelines and SURF products for a variety of field development scenarios. We have continuously built on our SURF expertise, adding technology, expanding capabilities and increasing the versatility of our fleet. This includes recently upgrading and converting three of our harsh-weather support vessels for subsea work, adding two new flexible, subsea construction vessels – the North Ocean 102 and North Ocean 105 – and increasing the deepwater installation capabilities with upgrades to the DB50. We are also expanding geographically into the Atlantic Basin and Brazil to reach new, growing markets.



UNLOCKING

“While I firmly believe that the separation of McDermott’s subsidiaries will position B&W and J. Ray at the gateway for a bright future in the years ahead, the key for both in creating long-term shareholder value will be to unlock the numerous opportunities available to them as distinct companies.”

John A. Fees
Chief Executive Officer



Medical Isotopes

B&W's technical services subsidiary, in collaboration with a leading radiopharmaceutical and medical device supplier, is developing a Medical Isotope Production System ("MIPS") to produce molybdenum-99 ("Mo-99"). Mo-99 is the parent isotope of technetium 99m, which is the most widely used radioisotope in the world for nuclear medicine procedures. Based on our patented technology, and using a low-power Aqueous Homogenous Reactor, Mo-99 will be produced from low enriched uranium, reducing the amount of nuclear waste generated compared to current methods employing highly enriched uranium. Recognizing the potential of our MIPS program, the National Nuclear Security Administration recently awarded \$9 million in funding to support further development toward a secure domestic source of medical isotopes.



Modular Nuclear Reactors

Currently under design, the B&W mPower™ modular reactor will be a progressive energy solution that draws on our more than 50 years of experience in nuclear engineering and manufacturing to provide flexible, zero-emissions baseload power. This advanced concept entails a 125 MWe Advanced Light Water Reactor, contained in a single integral vessel with a below-ground containment structure. The reactor is planned to be manufactured at existing B&W facilities in the United States and Canada and shipped via truck or rail, to reduce construction costs and the length of the construction cycle. The modular and scalable design of the B&W mPower reactor will allow B&W to match the power generation needs of our customers with a source that has no greenhouse gas emissions over the life of the plant.



Clean Energy

While discussions regarding climate change and greenhouse gas emissions continue, B&W is proactively building its diverse portfolio of clean energy technologies to meet future electricity demand, including clean coal with carbon capture, waste-to-energy, biomass, co-firing and cutting-edge solar thermal alternatives. For several years, we have made significant progress with our innovative CO₂ capture systems for new and existing coal-fired power plants, and recently formed a strategic alliance with an industry partner to further expand our options. We are also a trusted supplier of biomass combustion equipment and recently completed the design and installation of a commercial thermal solar receiver in the U.S. As it has for decades, B&W will continue to respond to the changing energy landscape by offering innovative power generation options and environmental control solutions.



OPPORTUNITIES
GROWTH
INNOVATION
VALUE

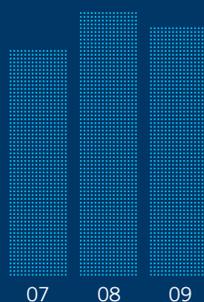
McDermott International, Inc. is an engineering and construction company, with specialty manufacturing and service capabilities, focused on energy infrastructure. Our projects include steam generating and environmental equipment, offshore production facilities and pipelines, nuclear components and governmental services. McDermott's customers include the leading participants in the power and energy industries, including the U.S. Department of Energy.

Financial Highlights

(\$000, except per share amounts)	2007	2008	2009
Revenues	\$ 5,631,610	\$ 6,572,423	\$ 6,193,077
Operating Income	\$ 716,197	\$ 569,882	\$ 546,496
Net Income	\$ 607,828	\$ 429,302	\$ 387,056
Earnings Per Diluted Share	\$ 2.66	\$ 1.86	\$ 1.66
Weighted Avg. Shares	228,742,522	230,393,782	233,626,876
Total Assets	\$ 4,411,486	\$ 4,601,693	\$ 4,849,110
Total Debt	\$ 17,208	\$ 15,130	\$ 72,984
Total Stockholders' Equity	\$ 1,167,378	\$ 1,316,513	\$ 1,833,100

Revenues
Dollars in millions

\$5,632 \$6,572 \$6,193



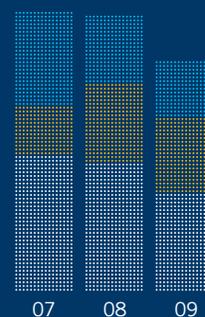
Operating Income
Dollars in millions

\$716.2 \$569.9 \$546.5



Backlog
Dollars in millions

\$9,820 \$9,816 \$8,111



■ Power Generation Systems
■ Government Operations
■ Offshore Oil & Gas Construction

Fellow Shareholders

Despite the challenges that the world economy has had on all of industry – your Company, McDermott International, Inc. (“McDermott” or the “Company”), is embracing the change of a new era by engaging in activities to further unlock opportunities for our shareholders.

McDermott, as many of you know, has traditionally conducted its operations through two major operating subsidiaries:

- The Babcock & Wilcox Company (“B&W”), which largely represents two of our reported segments (Power Generation Systems and Government Operations); and
- J. Ray McDermott, S.A. (“J. Ray”), which primarily comprises our Offshore Oil & Gas Construction segment.

A key catalyst to support these opportunities was announced during 2009, when McDermott's Board of Directors determined that our shareholders' interests will best be served by separating the Company's subsidiaries into two independent, publicly traded companies. As such, we intend to implement this decision by issuing B&W's shares to McDermott stockholders on a pro rata ownership basis, which is expected to occur in the second half of 2010. McDermott, following the separation, will consist of J. Ray's offshore oil and gas construction business, while your new shares of B&W will represent the power generation systems and government operations businesses.

I will discuss several of the opportunities available to us to unlock value later in this letter, including more information about the planned separation. But first, let me provide a brief overview of our 2009 results, which solidified the foundation for many of these future endeavors.

3

The Year in Review: Secure in a Difficult Environment

While 2009 would be defined by most businesses and individuals as an uncertain, challenging economic time, McDermott, by contrast, remained secure in this difficult environment. We began 2009 in the midst of the global financial crisis, with unpredictable commodity prices, depressed equity markets, government bailouts and frozen credit markets. All-in-all, global business seemed paralyzed. Compounding these macro issues, over \$1 billion in work remained on the Company's challenging pipeline projects in the Middle East that had dampened our 2008 results and were not forecast to contribute to profits in 2009.

In my view, McDermott was highly successful navigating the challenges we faced throughout the past year, and our investors seemingly concurred as the Company's shares appreciated approximately 143 percent during 2009. While I recommend you fully review the attached Form 10-K for the complete details of our annual results, a partial summary of the significant financial highlights includes:

- Full-year revenues for 2009 were almost \$6.2 billion, the second-highest level in Company history;
- Total operating income was nearly \$550 million, representing an operating margin of nearly 9.0%;
- Net income of \$387.1 million generated earnings per share of \$1.66 for 2009;
- Bookings and new awards of \$4.5 billion helped produce a year-end backlog of \$8.1 billion;
- McDermott's financial flexibility remained strong at year end with more than \$1.2 billion in cash, cash equivalents and investments with virtually no funded debt outstanding; and
- Our Company's safety statistics remain among the best in our industry.

The key to our success in 2009 was McDermott's 29,000 employees. Despite the global economic crisis that affected many of our employees personally, the complex and challenging workload they undertake every day, and their various activities to consider and prepare for the Company's separation – our employees remained committed to assisting our customers in achieving their goals, which in turn provides our shareholders with a solid investment. I appreciate all the employees of McDermott for their commitment, dedication and efforts.

Creating two focused, pure-play companies

Each company will be better positioned to accelerate growth based on its distinct corporate strategy, market opportunities, free cash flow and customer relationships

More efficient allocation of capital, which would allow each company to develop an independent investment program without the constraints of a holding company structure

A Key Development for the Future: Separating McDermott's Subsidiaries

As I mentioned, McDermott announced its plans to separate our subsidiaries into two independent, publicly traded companies, which we anticipate to occur during 2010.

This separation will be a transformational event for McDermott, and I believe it will provide numerous benefits for our shareholders, each company and other stakeholder groups. Selected benefits resulting from the transaction include:

- An improved position to accelerate growth as a result of each company's corporate strategy, market opportunities, free cash flow and customer relationships;
- A more efficient allocation of capital, allowing each company to develop an investment program without the constraints of a holding company structure;
- Two distinct publicly traded stocks that can be used for future acquisitions;
- Completion of the transaction should eliminate the risk posed by recent modifications in the rules under the Federal Acquisition Regulations ("FAR") that limit the U.S. Government's ability to contract with "inverted" companies and their subsidiaries; and
- A sharpened management focus and strategic vision, and closer alignment of incentives with shareholder value creation.

Considering the strides made by each of our businesses in recent years and as their respective performance improved, the attractiveness of their potential on a stand-alone basis has become more evident. When evaluating the growth initiatives and the largely autonomous nature of our operations in concert with the recent changes in the rules under the FAR, this transaction is the best way for B&W to continue serving the U.S. Government's defense and nuclear operations objectives, while also enhancing long-term value for McDermott's shareholders.

I believe both B&W and J. Ray are well positioned to operate as well capitalized, independent public companies. Upon completion of the transaction, McDermott shareholders will own two stand-alone, highly focused, pure-play companies. Below is a brief overview of each company:

B&W OVERVIEW

B&W is a leading technology innovator in the power generation industry, a specialty manufacturer of nuclear components and a premier service provider. It has a rich legacy spanning more than 140 years. B&W designs, engineers, manufactures, supplies and constructs power generation systems and environmental control systems, primarily for large utility and industrial customers, as well as provides related aftermarket parts and services. For its largest customer, the U.S. Government, B&W supplies nuclear components for defense programs and manages and operates nuclear facilities and environmental management sites.

I am delighted that Brandon C. Bethards will continue to serve as B&W's President and Chief Executive Officer, and he will join B&W's Board of Directors upon completion of the separation. I also plan to join Brandon on the B&W Board as non-executive Chairman and play an integral role in establishing B&W as a stand-alone publicly traded company.

J. RAY McDERMOTT OVERVIEW

J. Ray is a leading engineering, construction and installation company focused on the offshore upstream oil and gas market. It provides front-end design and detailed engineering, construction and installation of offshore production facilities, pipelines and subsea systems. J. Ray's customers include national and major oil and gas companies worldwide, and it has a significant presence in the Americas, Asia-Pacific, Caspian and Middle East markets.

Stephen M. Johnson, who joined McDermott as President and Chief Operating Officer during 2009, has become J. Ray's President and Chief Executive Officer. This appointment was in connection with the previously announced retirement of Robert A. Deason, J. Ray's former President and Chief Executive Officer. J. Ray's accomplishments during Bob Deason's tenure were substantial and, frankly, provided the foundation to enable this transaction. I have just as much confidence in Steve Johnson to lead J. Ray, as he has over 35 years of experience in the engineering and construction industry. Upon completion of the separation, Steve will join the Board of Directors.

Elimination of the risk posed by recent modifications in the rules under the Federal Acquisition Regulations ("FAR")

Sharpened management focus and strategic vision, and closer alignment of incentives with shareholder value creation

As of the date of this letter, completion of the spin-off remains subject to a number of conditions, including final approval by McDermott's Board of Directors, confirmation of the tax-free nature of the transaction, as well as an effective Form 10 registration statement to be filed with the U.S. Securities and Exchange Commission.

An undertaking of this magnitude is never easy, and again, I express my appreciation to our talented and dedicated employees, who will also be instrumental to the future success of B&W and J. Ray.

Unlocking Opportunities for Value Creation

While I firmly believe that the separation of McDermott's subsidiaries will position B&W and J. Ray at the gateway for a bright future in the years ahead, the key for both in creating long-term shareholder value will be to unlock the numerous opportunities available to them as distinct companies.

Throughout this annual report, we have provided highlights on some of these initiatives. This truly is an exciting time for both companies.

During 2009, B&W commenced its mPower™ modular nuclear reactor design for the commercial nuclear power market. This idea has the potential to be game-changing in the industry, as the plants envisioned would be modular, scalable and cost-competitive with other alternatives for offering power generation to the power grid. Also during the year, B&W announced an agreement with a leading global healthcare products company to develop the medical isotopes used for imaging and nuclear medicine procedures. This program has the potential to supply more than 50 percent of U.S. demand, and it recently received financial support from the National Nuclear Security Administration. Also, our efforts to capture CO₂ from coal-fired power plants have achieved success in pilot-scale demonstrations, and our innovative solar receiver, designed and installed by B&W, has exceeded expectations during initial operations. These are just a few examples at B&W and each are in early stages, but they all have the potential to be meaningful business lines.

Similarly, J. Ray is continuing progress on a number of strategic goals to grow its business as well. While the business maintains its core focus in offshore oil & gas construction, including the conventional, subsea and floating markets, J. Ray is looking to expand into new geographic regions, enhance its capabilities and modernize its assets. During 2009, J. Ray made strides on new fabrication facilities, with land reclamation activities beginning in Kazakhstan, financing obtained in China for the FPSO joint venture and enhancements in Mexico to the Altamira facility we opened recently. With regard to asset upgrades, J. Ray's new shallow-water lay barge is nearly complete and we expect to take possession of it by mid-2010. Also, we entered into an ownership position of two entities that will provide us access to two new subsea vessels. Our engineering joint venture for floating offshore solutions, FloaTEC, recently won its first major award, with a top-line value of approximately \$1 billion. As envisioned when FloaTEC was formed, the JV will subcontract major components of this award to J. Ray and our partner. Again, just a small illustration of the initiatives underway, but I believe J. Ray has its sights on remaining the leader in its field.

A Boundless Future

It has been an honor to serve McDermott and its shareholders for more than 30 years now, rising from an engineer to the Chief Executive's Office for these last 18 months. It has truly been a valuable experience, and I will join you in witnessing the emergence of new leadership for these companies as I enter the next stage of my life.

Next year at this time, I hope you will be receiving two annual reports as an ongoing shareholder of both McDermott's heirs. I look forward to following the boundless futures that I know these companies and their shareholders can enjoy on a stand-alone basis.

In closing, I want to thank you – McDermott's owners – for allowing me to serve as Chief Executive Officer of your Company. And, I wish you all the best.



John A. Fees
Chief Executive Officer

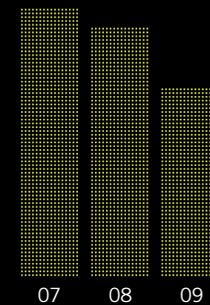


J. Ray McDermott



Backlog
Dollars in millions

\$4,753 \$4,457 \$3,371



2009 Highlights

Offshore Oil and Gas Construction

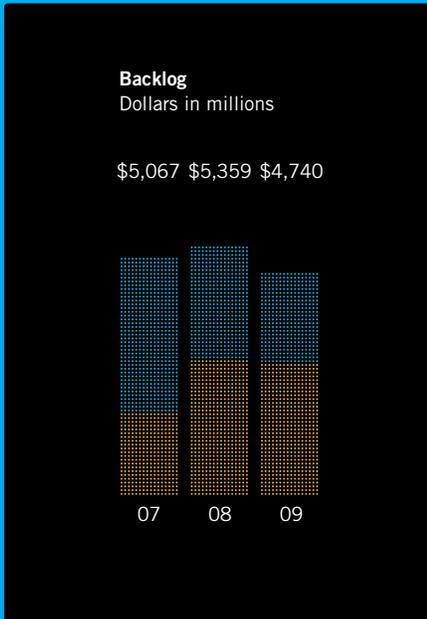
- During 2009, J. Ray produced record annual revenues of almost \$3.4 billion and the second highest annual operating income of \$317.0 million
- Elected Stephen M. Johnson as President and Chief Executive Officer, following Robert A. Deason's retirement in December 2009 who had led J. Ray for the past six years
- J. Ray's JV, FloaTEC, was awarded a \$1 billion tension leg platform contract offshore Brazil – the first deepwater floating production system to be delivered by the combined J. Ray-Keppel Fels joint venture
- Received the Karan Offshore Platforms and Subsea Pipelines project – our most significant contract in J. Ray's 40-year history with Saudi Aramco – representing almost 30,000 tons of topsides and jackets
- Acquired interest in two subsea construction vessels, the North Ocean 102 and the North Ocean 105, and began preparations to upgrade our dynamically positioned Derrick Barge 50 – furthering our subsea and deepwater installation capabilities
- Constructed and successfully installed the first of nine modules for the Maersk Peregrino floating, production, storage and offloading project – completed on a fast-track schedule
- Continued progress on new world-class fabrication facilities in China, Kazakhstan and Mexico to expand offerings, lower costs and increase our geographic reach
- Recognized by PTTEP with its Best Safety Performance Award for our work on the Arthit Process Production Platform project following more than six million man-hours without a Lost Time Incident
- J. Ray's Total Recordable Incident Rate of 0.53% was achieved on over 44 million hours worked

J. Ray McDermott is a leading engineering, construction and installation company focused on the offshore upstream oil and gas market. It provides front-end design and detailed engineering, construction and installation of offshore production facilities, pipelines and subsea systems. Employing approximately 16,000 people worldwide, J. Ray's customers include national and major oil and gas companies worldwide, and it has a significant presence in the Americas, Asia-Pacific, Caspian and Middle East markets.



UNLOCKING OPPORTUNITIES

Babcock & Wilcox



7

- Power Generation Systems
- Government Operations

B&W is a leading technology innovator in the power generation industry, a specialty manufacturer of nuclear components and a premier service provider. It has a rich legacy spanning more than 140 years. B&W designs, engineers, manufactures, supplies and constructs power generation systems and environmental control systems, primarily for large utility and industrial customers, as well as provides related after-market parts and services. For its largest customer, the U.S. Government, B&W supplies nuclear components for defense programs and manages and operates nuclear facilities and environmental management sites.

2009 Highlights

Power Generation Systems

- Generated revenues of over \$1.8 billion in 2009 with operating income of \$157.9 million, resulting in an operating margin of 8.7%
- Formed a new business unit, Babcock & Wilcox Modular Nuclear Energy, LLC, and launched the design of B&W mPower™ modular nuclear reactor
- Our expanding commercial nuclear activities included the award of a condenser replacement project, the shipment of a nuclear steam generator, and the completion of a nuclear reactor closure head
- Completed construction of, and began pilot-scale testing at, our state-of-the-art RSAT™ facility to further carbon-capture research for coal-fired boilers using advanced solvents technology
- Our joint venture in China successfully completed the 600 MWe Jinzhushan power plant in China, the world's first low mass-flux, vertical tube supercritical pulverized coal-fired boiler
- Received the Large Waste-to-Energy Facility Recognition Award for outstanding performance, as well as the Silver Excellence Award, for the North County Resource Recovery Facility in Florida
- Delivered and installed a full-scale solar receiver to a concentrated solar thermal power plant demonstration facility in Southern California

Government Operations

- Achieved record revenues of over \$1 billion in 2009 with record operating income of \$154.5 million
- Awarded \$450 million in orders for nuclear components to support U.S. defense programs as part of a set of contracts worth more than \$2.7 billion in revenue over 10 years
- Announced our Medical Isotope Production System initiative to develop a domestic supply of key isotopes used for molecular imaging and nuclear medicine procedures
- Accelerated several planned projects at Y-12 National Security Complex ("Y-12") through American Recovery and Reinvestment Act funding totaling \$267 million
- Received an "outstanding" annual performance rating from the National Nuclear Security Administration for our management and operation of the Y-12 and the Pantex Plant
- Our Nuclear Fuel Services subsidiary was awarded a contract to downblend 12.1 metric tons of highly enriched uranium into low enriched uranium

Board of Directors

Ronald C. Cambre

Non-Executive Chairman of the Board,
McDermott International, Inc.
Former Chairman of the Board and
Chief Executive Officer,
Newmont Mining Corporation

John F. Bookout, III ^{3,4}

Former Director,
McKinsey & Company

Roger A. Brown ^{2,3}

Former President,
Smith Technologies
Smith International, Inc.

John A. Fees

Chief Executive Officer,
McDermott International, Inc.

Robert W. Goldman ^{1,4}

Former Senior Vice President and
Chief Financial Officer,
Conoco Inc.

Stephen G. Hanks ^{1,4}

Former President and Chief Executive Officer,
Washington Group International

Oliver D. Kingsley, Jr. ^{2,3}

Former President and Chief Operating Officer,
Exelon Corporation

D. Bradley McWilliams ^{1,4}

Former Senior Vice President and
Chief Financial Officer,
Cooper Industries Ltd.

Admiral Richard W. Mies ^{1,3}

Admiral,
United States Navy (Retired)

Thomas C. Schivelbein ^{2,4}

Former President,
Northrop Grumman Newport News

David A. Trice ^{1,2}

Chairman and Former President
and Chief Executive Officer,
Newfield Exploration Company

¹ Audit Committee

² Compensation Committee

³ Governance Committee

⁴ Finance Committee

Officers of McDermott International, Inc. and Subsidiaries

Corporate Staff

John A. Fees

Chief Executive Officer

Liane K. Hinrichs

Senior Vice President, General Counsel and
Corporate Secretary

Preston Johnson, Jr.

Senior Vice President, Human Resources

Michael S. Taff

Senior Vice President and Chief Financial Officer

Dennis S. Baldwin

Vice President and Chief Accounting Officer

Thomas A. Henzler

Vice President and Corporate Compliance Officer

Claire P. Hunter

Vice President, Litigation, Claims and Disputes

John C. Knowles

Vice President and Chief Information Officer

John D. Krueger

Vice President, Corporate Development and
Strategic Planning

James C. Lewis

Vice President and Treasurer

John E. Roueche, III

Vice President, Investor Relations and
Corporate Communications

Dominic A. Savarino

Vice President, Tax

J. Timothy Woodard

Vice President, Chief Risk Officer

J. Ray McDermott, S.A.

Stephen M. Johnson

President and Chief Executive Officer

Robert A. Deason

Executive Vice President and Former President
and Chief Executive Officer

John T. Nesser, III

Executive Vice President and
Chief Operating Officer

Louis W. Burkart

Senior Vice President and
Principal Financial Officer

John T. McCormack

Senior Vice President, Operations

David P. Roquemore

Senior Vice President, Operations

Scott V. Cummins

Vice President and General Manager, Asia Pacific

Jeff J. Hightower

Vice President and Controller

Daniel M. Houser

Vice President and General Manager,
Europe and Caspian

Peter A. Marler

Vice President and General Manager,
Business Development
Southern Europe, Africa, Middle East

Stewart A. Mitchell

Vice President and General Manager, Middle East

Steven W. Roll

Vice President, Global Sales

William L. Soester

Vice President, Engineering

The Babcock & Wilcox Company

Brandon C. Bethards

President and Chief Executive Officer

Mary Pat Salomone

Chief Operating Officer

S. Robert Cochran

President, Babcock & Wilcox Technical
Services Group, Inc.

Eileen M. Competti

President, Diamond Power International, Inc.

Richard L. Killion

President & Chief Operating Officer,
Babcock & Wilcox Power Generation Group, Inc.

Winfred D. Nash

President, Babcock & Wilcox Nuclear
Operations Group, Inc.

Richard E. Reimels

President, Babcock & Wilcox Nuclear
Power Generation Group, Inc.

Christopher M. Mowry

President, Babcock & Wilcox Modular
Nuclear Energy, LLC

David S. Black

Vice President and Controller

J. Randall Data

Vice President and General Manager,
Fossil Power Division

James S. Kulig

Vice President and General Manager,
B&W Service Company

Peter W. Waanders

Vice President and General Manager,
Babcock & Wilcox Construction Co., Inc.

Shareholder Information

Transfer Agent and Registrar

Computershare Trust Company, N.A.
P.O. Box 43078
Providence, Rhode Island
02940-3078
(800) 446-2617

Independent Registered Public Accounting Firm for 2009

Deloitte & Touche LLP
1111 Bagby
Suite 2300
Houston, Texas 77002-4196
(713) 982-2000

Annual Meeting

The 2010 Annual Meeting of Stockholders of McDermott International, Inc., will be held at 757 N. Eldridge Parkway, 14th floor, Houston, Texas 77079, on Friday, May 7, 2010, at 9:30 a.m. local time.

Investor Contacts

Questions concerning McDermott's operating and financial performance, or requests for additional information about the Company, should be directed to:

Jay Roueche or Robby Bellamy
Investor Relations
(281) 870-5011

Copies of the annual report and Form 10-K are available and may be obtained by contacting:

McDermott International, Inc.
c/o Investor Relations
777 N. Eldridge Parkway
Houston, Texas 77079-4425
(281) 870-5011 or online at
www.mcdermott.com

Unless the context otherwise requires, the use in this report (other than the Form 10-K) of the term McDermott International or McDermott refers to the consolidated enterprise. The use of such terms as company, segments, businesses, units, division, groups, organization, joint venture, we, us, our or it, when referring either to McDermott or to its subsidiaries and affiliates, either individually or collectively, is only for convenience and is not intended to describe legal relationships. For a listing of McDermott International, Inc.'s significant subsidiaries, please refer to its annual report on Form 10-K for the year ended December 31, 2009.

Caution Concerning Forward-Looking Statements

This annual report includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to our backlog, to the extent backlog may be viewed as an indicator of future revenues; statements relating to the separation of McDermott's principal operating subsidiaries, including the timing of the separation, the expected benefits resulting from the separation, our belief that B&W and J. Ray are well positioned to operate independently and the composition of the separate companies' Board of Directors following the separation; the opportunities available to McDermott and its segments, including expanding our FPS capabilities, our belief that our approach to nuclear power plants could be game-changing and our belief on the amount of U.S. demand that medical isotopes can supply; and our strategic goals, including expanding into new geographic regions, expanding capabilities and modernizing assets. These statements involve uncertainties that may impact the Company's expectations and future results of operations. Although McDermott's management believes that the expectations reflected in those forward-looking statements are reasonable, those statements are subject to numerous uncertainties and risks, including, but not limited to, the risk that the proposed separation may not be completed as anticipated or at all, delays or other difficulties in completing the separation, disruptions experienced with customers and suppliers, the inability of either J. Ray or B&W to successfully operate independently, the inability to retain key personnel, reductions in the capital expenditures of utility and oil companies, adverse changes in the Department of Energy budget and other adverse changes in the industries in which B&W or J. Ray operates, difficulties in performing projects in backlog, our inability to execute on our strategic plan, our inability to compete in engineering and construction opportunities and our inability to anticipate or manage future challenges. If one or more of these risks materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected. For a more complete discussion of information about these and other risk factors, see McDermott's annual report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission.

Corporate Governance

Copies of McDermott's Corporate Governance Guidelines, Code of Business Conduct, charters for the committees of the Board of Directors and other corporate governance materials are available on our website, www.mcdermott.com, at "Corporate Governance" and are available in print to any stockholder who requests a copy in writing to McDermott International, Inc., Corporate Secretary's Office, 777 N. Eldridge Pkwy., Houston, Texas 77079. Information on how stockholders or other interested parties can contact McDermott's nonmanagement directors is also available on our website at "Corporate Governance – Board Committees."



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