Pareto Securities 25th Annual Oil & Offshore Conference

MCDERMOTT

September 12, 2018

FORWARD LOOKING STATEMENTS

In accordance with the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995, McDermott cautions that statements in this presentation which are forward-looking, and provide other than historical information, involve risks, contingencies and uncertainties that may impact actual results of operations of McDermott. These forward-looking statements include, among other things, statements about backlog, bids and change orders outstanding, target projects and revenue opportunity pipeline, to the extent these may be viewed as indicators of future revenues or profitability, anticipated increased customer capex spend, continued demand growth for McDermott's petrochemicals and refining offering, expected benefits from the upgrade to the Amazon vessel, continued recovery in the markets in which we operate, the expected scope, timing, execution and value of projects discussed in this presentation, the expected impacts of CPI, progress toward achieving anticipated CPI targets and estimated total costs to achieve those targets, second half 2018 guidance, 2018 focus areas, the company's potential and our beliefs with respect to the combination with CB&I. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct. Those statements are made by using various underlying assumptions and are subject to numerous risks, contingencies and uncertainties, including, among others: the possibility that the expected CPI savings from the recently completed combination will not be realized, or will not be realized within the expected time period; difficulties related to the integration of the two companies; disruption from the combination making it more difficult to maintain relationships with customers, employees, regulators or suppliers; the diversion of management time and attention to integration matters; adverse changes in the markets in which McDermott operates or credit markets; the inability of McDermott to execute on contracts in backlog successfully; changes in project design or schedules; the availability of qualified personnel; changes in the terms, scope or timing of contracts; contract cancellations; change orders and other modifications and actions by customers and other business counterparties of McDermott; changes in industry norms; and adverse outcomes in legal or other dispute resolution proceedings. If one or more of these risks materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected. You should not place undue reliance on forward-looking statements. For a more complete discussion of these and other risk factors, please see each of McDermott's annual and quarterly filings with the U.S. Securities and Exchange Commission, including its annual report on Form 10-K for the year ended December 31, 2017 and subsequent quarterly reports on Form 10-Q. This presentation reflects the views of McDermott's management as of the date hereof. Except to the extent required by applicable law, McDermott undertakes no obligation to update or revise any forward-looking statement.

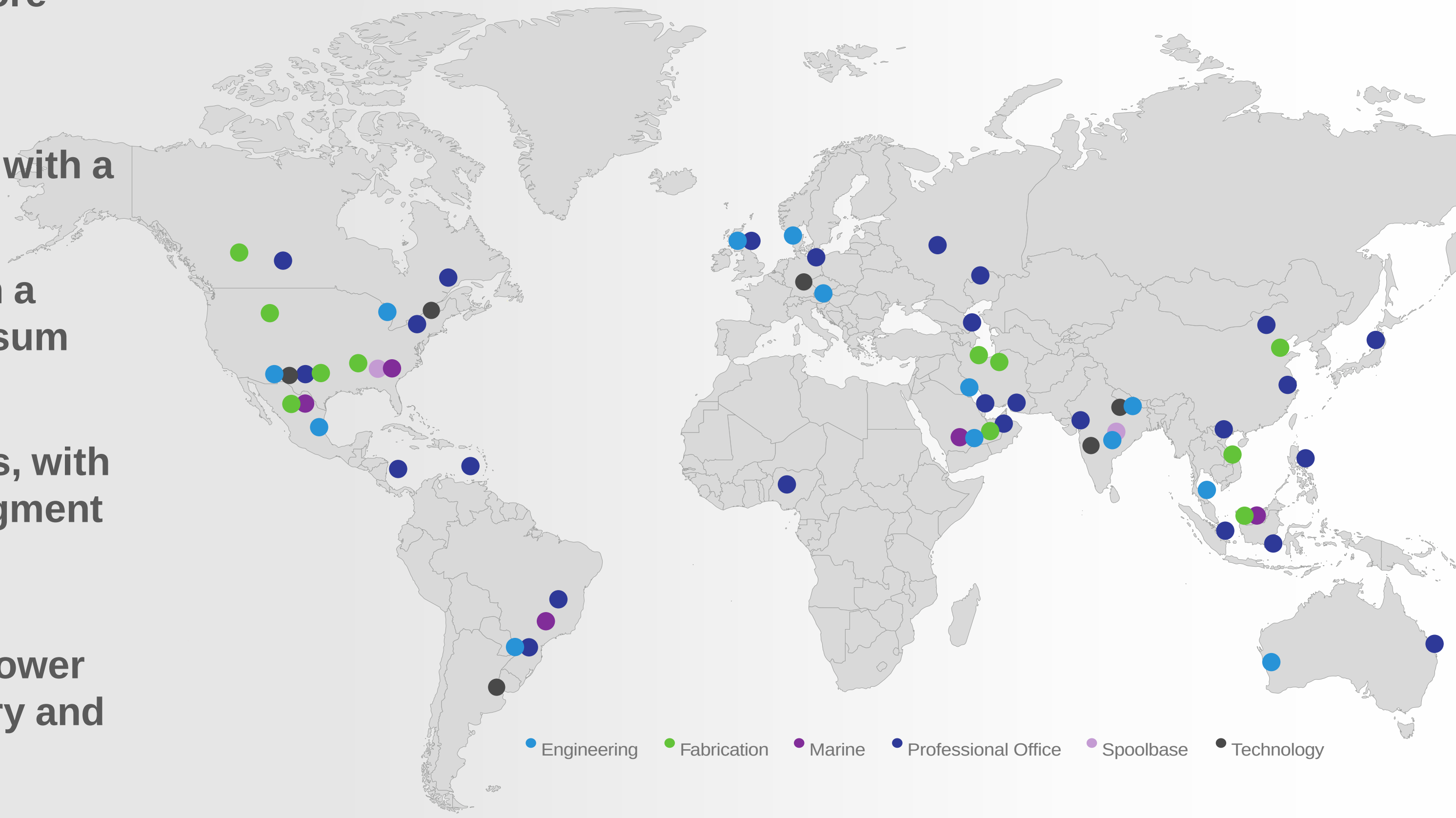
NON-GAAP DISCLOSURES

This presentation includes several "non-GAAP" financial measures as defined under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. McDermott reports its financial results in accordance with U.S. generally accepted accounting principles, but the company believes that certain non-GAAP financial measures provide useful supplemental information to investors regarding the underlying business trends and performance of its ongoing operations and are useful for period-over-period comparisons of those operations. The non-GAAP measures in this presentation include Adjusted Operating Income and Margin, Adjusted EBITDA and Free Cash Flow and forecast EBITDA, Adjusted Operating Income and Margin, Adjusted Net Income and Diluted Net Income, Per Share, Adjusted EBITDA and Free Cash Flow. These non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the financial measures prepared in accordance with GAAP.

Reconciliations of these non-GAAP financial measures to the most comparable GAAP measures are provided on pages 28-30 of this presentation.

COMPANY OVERVIEW

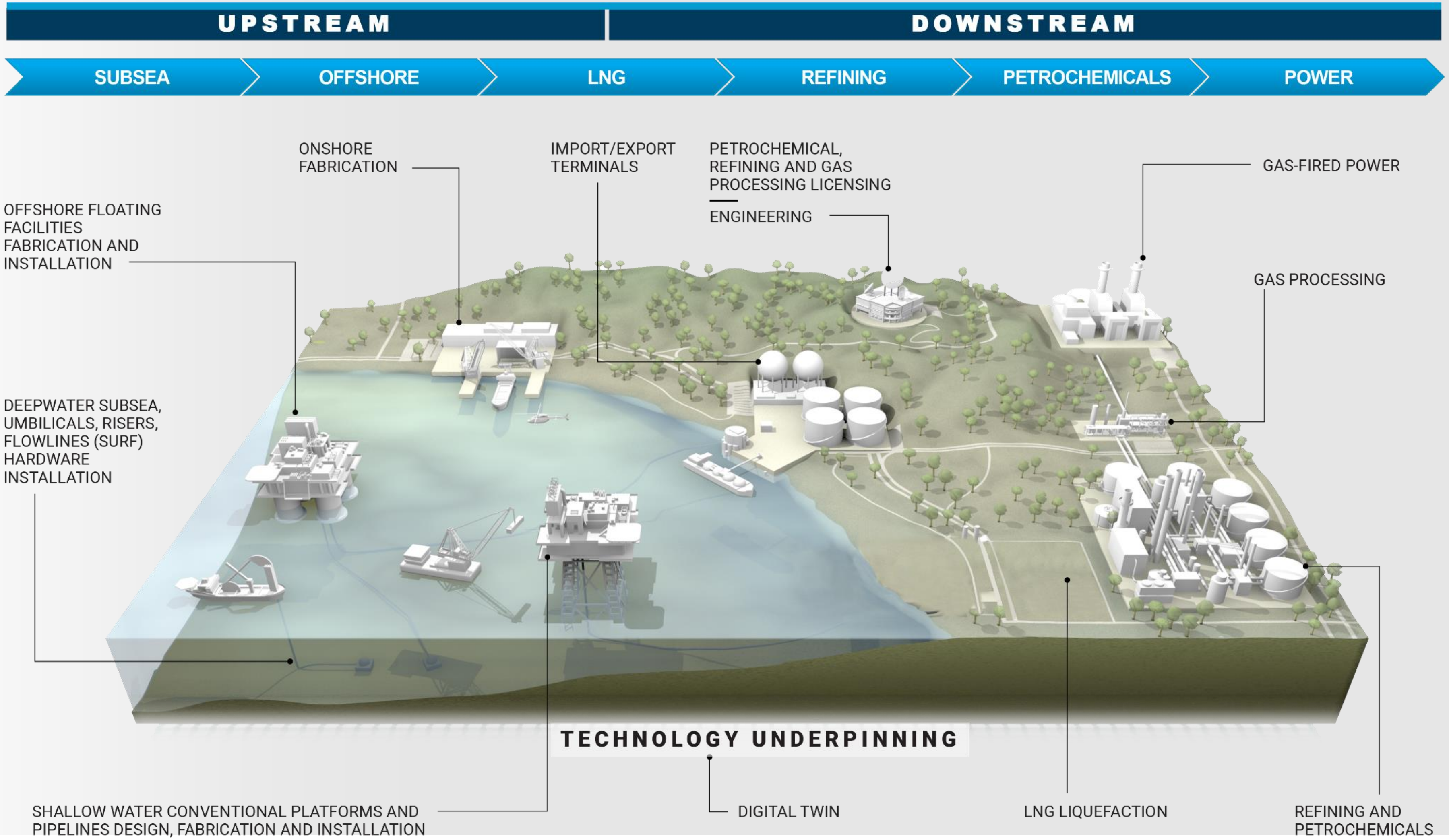
- Global, fully vertically integrated onshore-offshore EPCI provider with a market-leading technology portfolio and ~$10[1] billion of run-rate revenue
- Diversified capabilities, well positioned globally with a $78.5[2] billion revenue opportunity pipeline
- Renewed emphasis on customer engagement in a culture focused on safety and fixed-price lump-sum contracting
- 40,000 employees operating in over 54 countries, with four geographic segments and a technology segment
- Over a century of demonstrated performance
- Positioned to demonstrate significant earning power fueled by end markets showing signs of recovery and anticipated increased customer capex spend



[1]Revenue is the sum of McDermott and CB&I LTM revenue as of 12/31/17 and does not reflect any pro forma adjustments
[2]As of June 30, 2018

END-TO-END INTEGRATED OFFERING

IN-LINE WITH CUSTOMERS' EVOLVING NEEDS



SERVING THE UPSTREAM AND DOWNSTREAM MARKETS FROM THE WELLHEAD TO THE STORAGE TANK

OFFERING:

TIER 1 GLOBAL TECHNOLOGY PROVIDER - LUMMUS

- A strategic enabler, with a focus on petrochemicals and refining
- Provides differentiated ability for:
  - Early engagement with customers
  - Pull-through for EPC work
- More than 100 licensed technologies and 3,500 patents/patent applications
- Generates steady and attractive returns selling licenses/catalysts and heat transfer equipment
- Longer term, this business segment will house all of the technology that underpins McDermott's business

TIER 1 TECHNOLOGY CAPABILITIES

Petrochemicals: Olefins, Aromatics, Polypropylene, Polyethylene

Refining & Gasification: Coal/Petcoke Gasification

Chevron Lummus Global: Hydroprocessing, including Base Oils & Heavy Oil Upgrading

Catalysts

Ethylene heaters

OFFERING:

GLOBAL PETROCHEMICALS AND REFINING

- 80 years serving the petrochemical and refining industry
- Industry’s most complete technology portfolio offering integrated solutions across the project life cycle
    - Lummus Technology provides competitive differentiation and uniquely positions us for pull-through EPC work
    - Currently executing 6 major petrochemical projects in NCSA and MENA
    - Currently executing 6 major refining projects in EARC and MENA
- Significant revenue synergy opportunities driven by geographies and customers in Eastern hemisphere (e.g crude-to-chemicals)

OFFERING:

LEADER IN SERVING GLOBAL LNG MARKET

- **50 years of experience in the LNG industry designing and building LNG facilities throughout the value chain**
- **Offer comprehensive range of solutions including liquefaction plants, regasification terminals, peak shaving terminals and LNG storage tanks**
- **Services include technology, engineering, procurement, fabrication and construction services**
- **Well positioned to address next wave of LNG investment that is being made to fill the expected 2023 supply gap**
- **Significant LNG revenue opportunity pipeline with ~$17 billion of Bids and Change Orders Outstanding and Target projects[1] as of June 30, 2018**

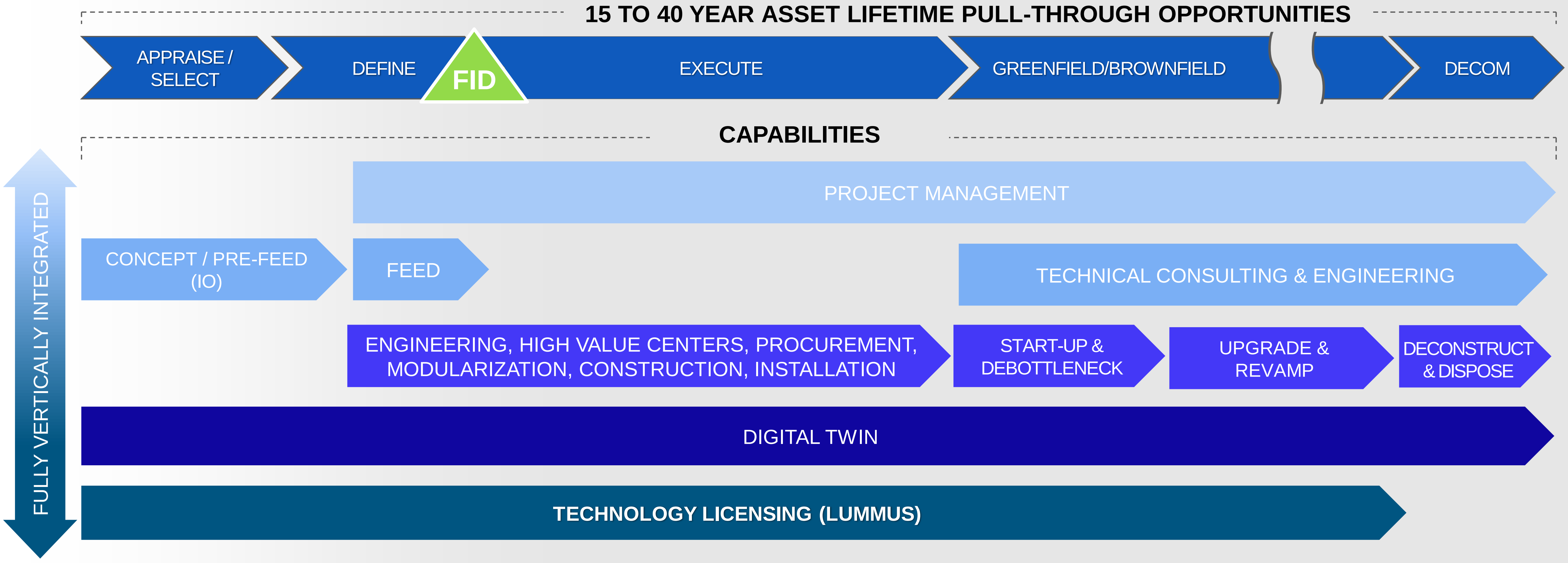
[1] There is no assurance that bids outstanding or target projects will be awarded to McDermott, or that outstanding change orders ultimately will be approved and paid by the applicable customers in the full amounts requested or at all. Target projects are those that we believe fit McDermott's capabilities and are anticipated to be awarded in the market in next five quarters.

OFFERING:

GLOBAL OFFSHORE AND SUBSEA

- Served the offshore and subsea market for over 90 years
- Offerings include design, EPCI, start-up and commissioning with versatile marine fleet and strategically located fabrication facilities
- Strong and proven relationship with BHGE for integrated SURF-SPS offerings
- Significant expansion of engineering and digital capabilities is demonstrating results
- Recent award highlights:
    - Tortue and Cassia C – two recent engineering awards with a mechanism to convert to full EPCI scope
    - Integrated SURF and SPS award on the Posco Daewoo Shwe Myanmar Gas Field Development Project in collaboration with BHGE
- Recently-announced upgrade of the Amazon vessel completes our investment in the subsea fleet and will enable McDermott to serve ultradeepwater market

FULL VERTICAL INTEGRATION OF CAPABILITIES



SERVING THE CUSTOMER THROUGHOUT THE LIFE OF THE ASSET

EXAMPLE OF

INTEGRATION OF CAPABILITIES

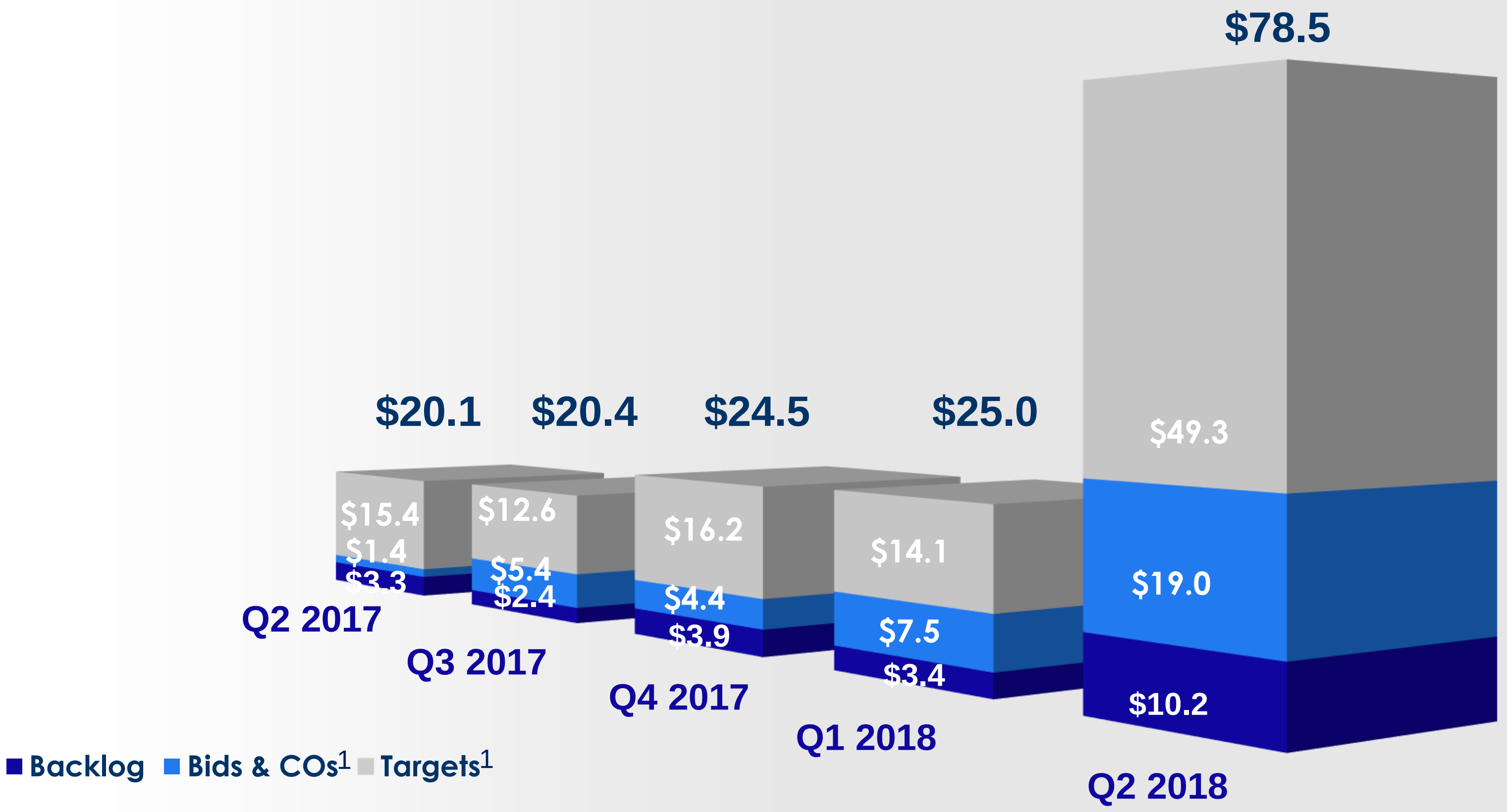
- A case study in the competitive advantages of technology licensing and early engagement…
- Mega ethane cracker project in Port Arthur, Texas, for Bayport Polymers LCC - a joint venture of Total Petrochemicals & Refining USA, Inc. and Novealis Holdings LLC
- Customer licensed McDermott's technology, McDermott performed the FEED and recently broke ground on the EPC scope
- The scope of work includes EPC for the cracker that will have an ethylene capacity of 1,000 Kta

PRE-FEED ✓ → FEED ✓ → SRT-III HEATERS ✓ → ENGINEERING, PROCUREMENT, CONSTRUCTION ✓

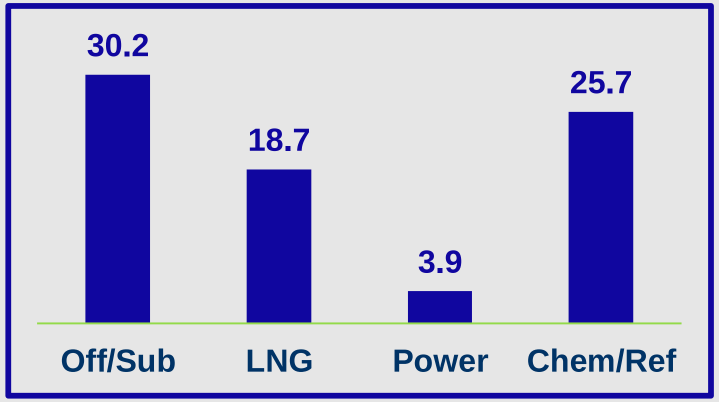
LUMMUS ETHYLENE TECHNOLOGY LICENSE ✓

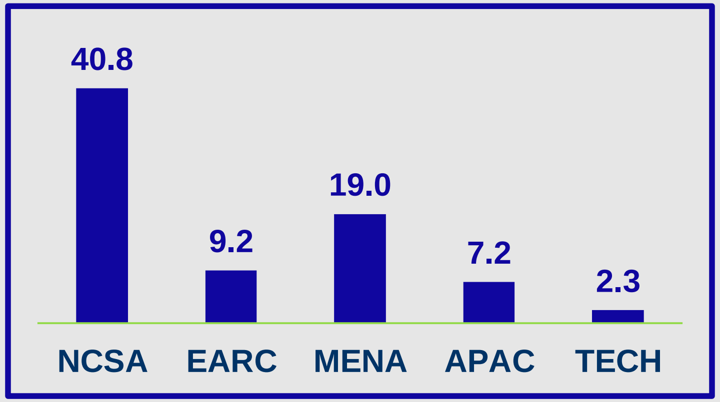
$78.5B REVENUE OPPORTUNITY PIPELINE

STRENGTH IN END MARKETS



All end markets are recovering





CONTINUING TO SEE RECOVERY IN THE OFFSHORE & SUBSEA, LNG AND DOWNSTREAM MARKETS WITH HIGHEST MCDERMOTT REVENUE OPPORTUNITY PIPELINE IN COMPANY HISTORY

[1]There is no assurance that bids outstanding or target projects will be awarded to McDermott, or that outstanding change orders ultimately will be approved and paid by the applicable customers in the full amounts requested or at all. Target projects are those that we believe fit McDermott's capabilities and are anticipated to be awarded in the market in next five quarters.

FOCUS ON INTEGRATION:
CULTURE

- Emphasis on creating unified culture: global culture integration team in place
- Progress is well ahead of initial expectations
- Engage employees from around the globe and all areas of the business
- Five cultural integration summits held at different locations around the world involving broad cross-section of 750 employees
- Objectives:
  - Refine the vision for McDermott's desired culture
  - Identify values and desired behaviors
  - Make recommendations about the practices that will make desired culture a reality and accelerate change
  - Effective and rapid implementation of high-impact actions

FOCUS ON INTEGRATION:

ONE MCDERMOTT WAY

PROJECT MANAGEMENT

BIDDING

- All EPCI bids, onshore and offshore, prepared by central Proposals & Estimating function
- Each bid has a suitably qualified project manager, and the bid engineering is carried out in-house
- All individual bids are subject to a standardized rigorous management review, including: cost estimation scrutiny, project risk management (through a formal risk management procedure)

RESULTS

- Ensures optimal allocation of resources
- Consistency of approach

EXECUTION

- **Assets:** strategically positioned to address the markets most suitable for each
- **Engineering Function:** executes engineering in-house, using global centers of excellence
- **Procurement Function:** leverages the Procurement Global Network. Technical and commercial lessons and opportunities are shared globally with all projects
- **Fabrication Function:** Fabrication scope is carried out in company facilities. All fabrication facilities operate to the same standards and processes
- **Installation Function:** in-house execution of nearly all of a project's installation scope
- **Construction:** Targeted use of direct hire model provides heightened level of project controls

- Continuity of personnel and knowledge retention – lessons learned are globally shared across projects
- Engineering is focused on constructability
- Safety and process standardization of fabrication operations
- Certainty of project schedule

DEMONSTRATED DISCIPLINE IN RISK MANAGEMENT AND EXECUTION - ENSURES EXECUTION FLEXIBILITY

IMPLEMENTING THE ONE MCDERMOTT WAY:

FREEPORT & CAMERON LNG PROJECTS

	FREEPORT[3]	CAMERON
Cumulative POC[1]	**83%**	**88%**
Gross Profit	**Profitable**	**Loss**
Operational Update	In Train 1, all critical process and utility powerhouses are energized and pipe testing is progressing. Train 2 is progressing as expected with improved productivity. Train 3 was more significantly impacted by Hurricane Harvey but is still making progress. We have filed our claim with the customer for Hurricane Harvey related charges.	In Phase 1, all process and utility powerhouses are energized and pipe testing is substantially complete. Pre-commissioning activities have commenced. Train 2 construction is recognizing improved productivity. Train 3 construction is progressing well.
Partners	**Chiyoda and Zachry Construction**	**Chiyoda**
Backlog Roll-off in Second Half 2018	**$412 million**	**$331 million**
Changes in Estimate ("Project Charges") Recorded in Q2 2018	**None**	**None**
Change in Estimate of GP at Completion Between Q1'18 and Date of Combination[2]	**None**	**($165 million)**
Targeted Completion	**Train 1: Q3 2019** **Train 2: Q1 2020** **Train 3: Q2 2020**	**Phase 1: Q1 2019** **Train 2: Q3 2019** **Train 3: Q1 2020**

- **No project charges or changes of costs to complete were recorded in Q2 2018 income statement**
- **Immediate and proactive shift from monitoring to managing post-close of the Combination**
- **Changes in personnel (including new COO), reporting structures, stakeholder relations and execution plans have already started to show results**

1) Represents the cumulative percentage of completion ("POC") which includes progress achieved prior to the combination with CB&I. POC calculated in accordance with GAAP, which requires the project progress to be reset to 0% as of the date of the combination for accounting purposes, was 18% and 25% for the Freeport and Cameron projects, respectively, as of June 30, 2018.
2) Represents the net change in GP as a result of changes in estimates of the revenues and costs between Q1 2018 and the date of the combination. These changes include charges recorded by CB&I prior to the combination and estimates made by McDermott upon acquisition when recording the fair value of acquired contracts. These changes in estimate did not directly impact our Q2 2018 earnings.
3) Includes the Freeport Trains 1 & 2 and Freeport Train 3 projects, which are performed by two separate consortiums.

FOCUS ON INTEGRATION:
COMBINATION PROFITABILITY INITIATIVE

Full engagement by executive team has contributed to realization of immediate results

CATEGORY		TOTAL CPI SAVINGS		
COSTS OF OPERATIONS	SUPPLY CHAIN	153	$37	$116
	OPERATIONS & PROJECT	97	$60	$37
SG&A	BACK OFFICE SUPPORT	75	$60	$15
	SYSTEMS & APPLICATIONS	25	$6	$19
TOTAL ANTICIPATED CPI SAVINGS		350	$163	$187
ESTIMATED TOTAL COSTS TO ACHIEVE		210	$75	$135

Savings actioned
Remaining run-rate savings
Costs incurred to date
Remaining costs to achieve

$350 MILLION IN IDENTIFIED SAVINGS WITH $163 MILLION OF ANNUAL RUN-RATE SAVINGS ACTIONED AS OF Q2 2018

STRONG
FINANCIAL PROFILE

Includes full quarter of results for legacy MDR and May 11 to June 30 results for CB&I

	Q2 2018
BACKLOG (defined as RPO)[1]	$10,186
REVENUE	$1,735
ADJUSTED OI AND MARGIN[2]	$172 9.9%
DILUTED EPS	$0.33
ADJUSTED EBITDA[2]	$208
FREE CASH FLOW[2]	$374
AVAILABLE CASH	$814

[1] Backlog equals Remaining Performance Obligations
[2] The reconciliation of Adjusted OI and Margin, Adjusted EBITDA and Free Cash Flow, all of which are Non-GAAP measures, to the most comparable GAAP measures are provided in the pages entitled "Additional Disclosures – Quarterly Reconciliations" and "Additional Disclosures – EBITDA Reconciliations"

SECOND HALF 2018

GUIDANCE IN LINE WITH BUSINESS COMBINATION CASE

Earnings Metrics	Second Half 2018 Guidance
Revenues	$4.8B - 5.1B
Operating Income	$235 - 265
Operating Margin	4.9% - 5.2%
Net Interest Expense[1]	~$170
Income Tax Expense	~$20
Net Income	$60 - 70
Diluted Net Income, Per Share	$0.33 - 0.39
Diluted Share Count	~180
EBITDA[2]	$350 - 390
Adjustments	
Costs to Achieve CPI[3]	~$85
Intangibles Amortization[4]	~$85
Adjusted Earnings Metrics	
Adjusted Operating Income[2]	$405 - 435
Adjusted Operating Margin[2]	8.0% - 8.5%
Adjusted Net Income[2]	$200 - 210
Adjusted Diluted Net Income, Per Share[2]	$0.74 - 0.80
Adjusted EBITDA[2]	$435 - 475
Cash Flow & Other Metrics	
Cash from Operating Activities	$(350) - (370)
Capex	~$80
Free Cash Flow[2]	$(430) - (450)
Cash Interest / DIC Amortization Interest	~$150 / ~$20
Cash Taxes	~$85
Corporate and Other Operating Income[5]	$(200) - (225)
Cash, Restricted Cash and Cash Equivalents	$550 - 600
Gross Debt[6]	~$3.6B
Net Working Capital	~$(900)

Diluted Net Income, Per Share $0.33 - $0.39

Adjusted Diluted Net Income, Per Share[2] $0.74 - $0.80

~ = approximately

1) Net Interest Expense is gross interest expense less capitalized interest and interest income.
2) The calculations of EBITDA, Adjusted Operating Income, Adjusted Operating Margin, Adjusted Net Income, Adjusted Diluted Net Income Per Share, Adjusted EBITDA and Free Cash Flow, which are Non-GAAP measures, are shown in the appendix entitled "Reconciliation of Forecast Non-GAAP Financial Measures to Forecast GAAP Financial Measures."
3) Costs to achieve CPI include restructuring and integration costs. The forecasted tax impact of these costs is approximately $12 million.
4) Intangibles amortization represents the amortization of project-related and other intangibles. The forecasted tax impact of the amortization is approximately $18 million.
5) Corporate and Other represents the operating income (loss) from corporate and non-operating activities, including corporate expenses, certain centrally managed initiatives, impairments, year-end mark-to-market ("MTM") pension actuarial gains and losses, costs not attributable to a particular reporting segment, and unallocated direct operating expenses associated with the underutilization of vessels, fabrication facilities and engineering resources.
6) Ending Gross Debt excludes debt issuance costs and capital lease obligations.

GUIDANCE AS OF JULY 31, 2018, AND IS NOT BEING UPDATED OR REAFFIRMED AT THIS TIME

2018 FOCUS AREAS

INTEGRATE
Full integration of culture, systems and processes

POSITION
Position the company for future growth

DISCIPLINE
Disciplined bidding and risk management

DRIVE
Drive savings and embody a best in class cost culture

EXECUTE
Excellence through the One McDermott Way

DELIVERING ON THE MCDERMOTT PLAYBOOK

Q&A

APPENDIX

MCDERMOTT

MDR'S POSITION IN THE ENERGY INFRASTRUCTURE VALUE CHAIN

Seismic → Drilling → Oil Field Services → Production Equipment → Field Development/ Construction → Production/ Optimization → Maintenance and Operations

Offshore and onshore solutions from the wellhead to the storage tank:

- Offshore & Subsea
- Power
- Natural Gas Processing
- LNG
- Refining
- Petrochemicals
- Industrial, Energy & Water Storage

GLOBALLY INTEGRATED, LOCALLY FOCUSED

Q2 2018 FINANCIAL HIGHLIGHTS

$ in millions except for per share data	Q2'18	Q1'18	Q2'17
Orders	**$842**	$321	$188
Backlog	**10,186**	3,387	3,298
Revenues	**1,735**	608	789
Financial Metrics (Adjusted as Indicated)[1]			
Gross Profit and Margin %	**$237 13.7%**	$132 21.7%	$138 17.5%
Operating Income and Margin %	**$49 2.8%**	$65 10.7%	$85 10.8%
Net Income Attributable to McDermott	**$47**	$35	$36
Diluted EPS	**$0.33**	$0.37	$0.38
EBITDA	**$92**	$90	$109
Adjusted Operating Income and Margin %	**$172 9.9%**	$79 13.1%	$85 10.8%
Adjusted Net Income Attributable to McDermott	**$59**	$49	$36
Adjusted Diluted EPS[2]	**$0.29**	$0.51	$0.38
Adjusted EBITDA	**$208**	$104	$109
Capex	**$24**	$18	$18
Cash from Operations	**$398**	$37	$42
Free Cash Flow	**$374**	$19	$24
Ending Cash Balance[3]	**$1,138**	$419	$409
Working Capital	**($1,444)**	$384	$160
Intangible Amortization	**$22**	$0	$0

- **Q2 2018 results include McDermott for the full period and CB&I for the period of May 11, 2018 to June 30, 2018**
- **Adjustments for Q2 2018 include transaction-related costs of $37 million, costs to achieve Combination Profitability Initiative (CPI) of $63 million (which consist of integration and restructuring costs), amortization of acquired intangible assets of $22 million, debt extinguishment costs of $14 million and a tax benefit of $117 million from an intercompany transfer of technology IP**
- **Revenue for Q2 2018 was driven by the Cameron LNG, Saudi Aramco Safaniya Phase 5, Freeport LNG, LACC and Woodside Greater Western Flank II projects**
- **Operating Income was driven by our Offshore & Subsea and Downstream product offerings**

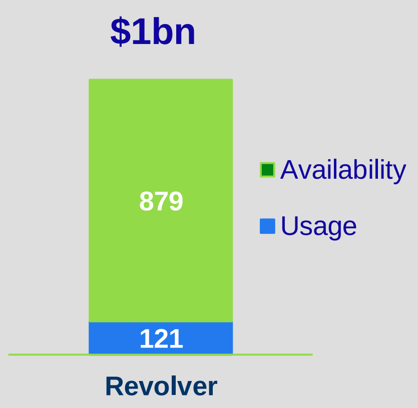
1) The reconciliations of EBITDA, each adjusted measure and Free Cash Flow, all of which are Non-GAAP measures, to the most comparable GAAP measures are provided in the pages entitled “Additional Disclosures – Quarterly Reconciliations” and “Additional Disclosures – EBITDA Reconciliations.”
2) Adjusted Diluted EPS has not been adjusted to exclude the amortization of acquired intangible assets, which were included in the calculation of adjusted per share earnings.
3) Includes cash, cash equivalents, and restricted cash.

Q2 2018 CAPITAL STRUCTURE, REVOLVER AND LC AVAILABILITY

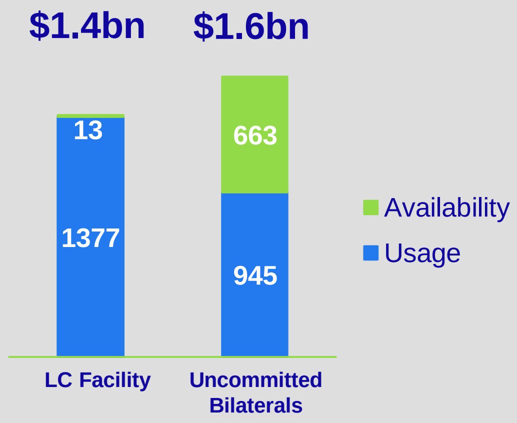
$ in millions

CAPITALIZATION	June 30, 2018
Cash, Cash Equivalents and Restricted Cash	**$1,138**
Senior Secured Term Loan	2,254
10.625% Six-Year Senior Unsecured Notes	1,300
North Ocean 105 Loan	21
Vendor Equipment Financing ("VEF")	10
Other, Including Capital Lease	22
Gross Debt	**$3,607**
Debt Issuance Costs	(146)
Total Debt	**$3,460**
Net Debt[1]	**$2,469**

REVOLVER AVAILABILITY



LC AVAILABILITY



- No cash draws on revolver; $121 million is being utilized for the issuance of letters of credit
- No significant debt maturities in the near term
- Higher debt issuance costs related to transaction related financing

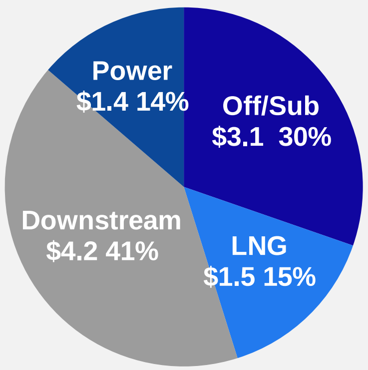
1) Net Debt is defined as Gross Debt net of Cash, Cash Equivalents and Restricted Cash.

Q2 2018 BACKLOG & EXPECTED ROLL-OFF

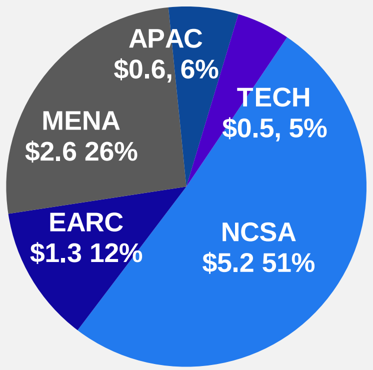
$ in millions

Details of $10.2B Backlog as of June 30, 2018

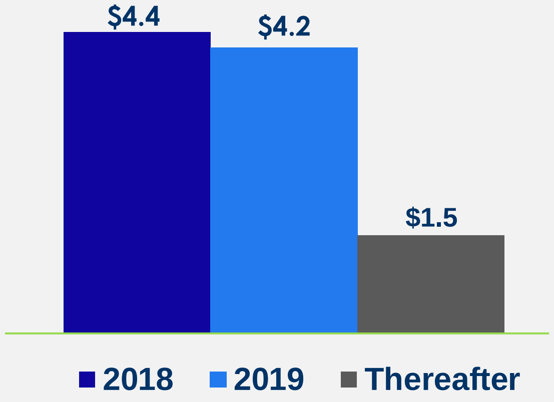
BACKLOG
By Product Offering

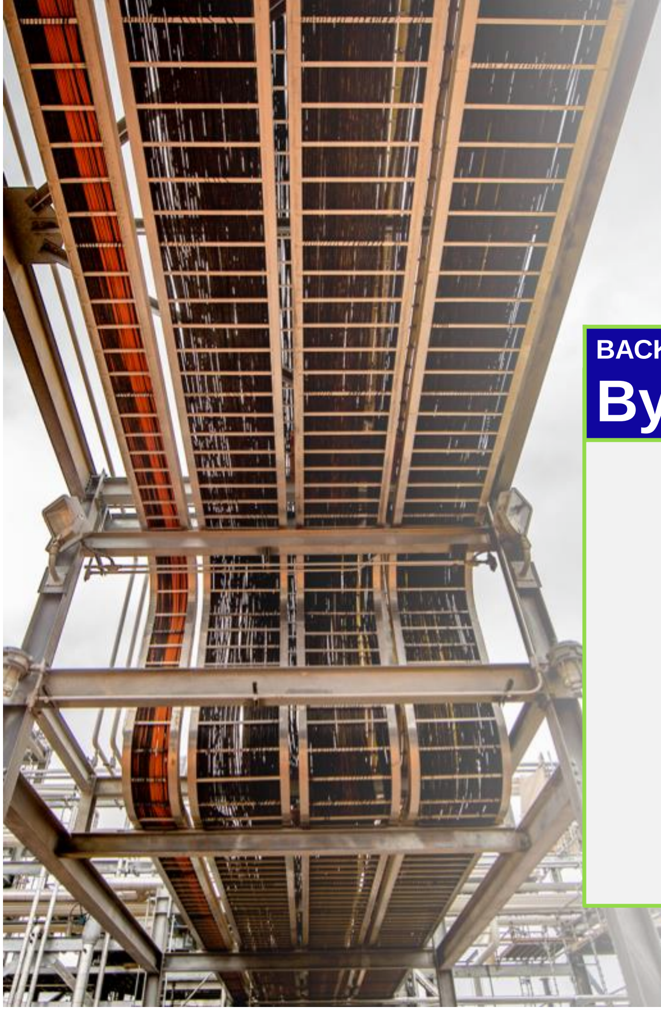


BACKLOG
By Segment



BACKLOG
Roll-Off by Year



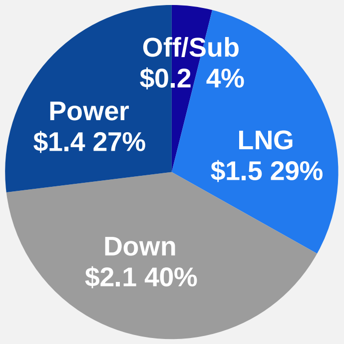


- Majority of backlog related to onshore projects, which are included in our Downstream, LNG and Power product offerings
- Backlog increased approximately 300% from prior quarter due to combination with CB&I
- Strong visibility into remainder of 2018 with $4.4 billion in backlog expected to roll-off in 2018

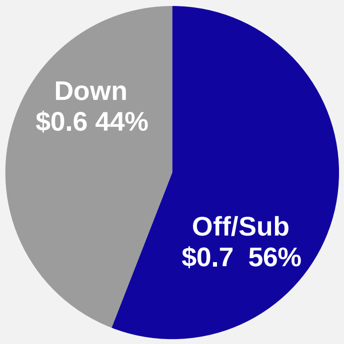
Q2 2018 BACKLOG BY SEGMENT AND PRODUCT OFFERING

$ in millions

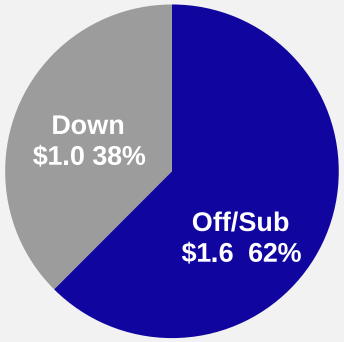
NCSA - $5.2B



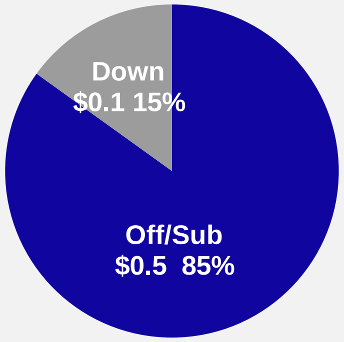
EARC - $1.3B



MENA - $2.6B



APAC - $0.6B

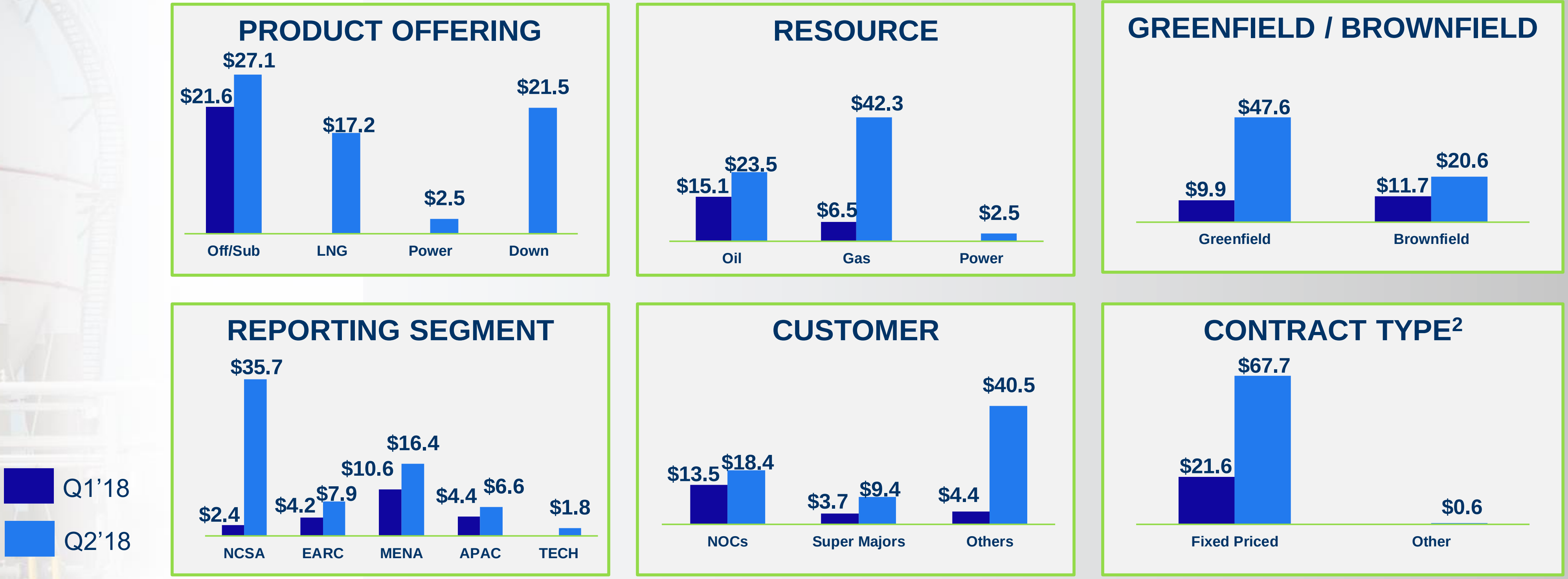


TECH - $0.5B

- Our NCSA segment is highly diversified across all of our product offerings
- Our Offshore & Subsea product offering represents the majority of our backlog outside of NCSA
- 100% of our Technology segment operations are included within the Downstream product offering

BIDS & CHANGE ORDERS OUTSTANDING AND TARGET PROJECTS[1]

$68.3 billion as of Jun. 30, 2018 compared to $21.6 billion as of Mar. 31, 2018



- Bids and change orders outstanding and target projects driven by NCSA and MENA
- Improving macro conditions drive increased opportunity pipeline
- Combination with CB&I drives more diversified prospects geographically, by customer type, by resource and product offering

[1]There is no assurance that bids outstanding or target projects will be awarded to McDermott, or that outstanding change orders ultimately will be approved and paid by the applicable customers in the full amounts requested or at all. Target projects are those that we believe fit McDermott's capabilities and are anticipated to be awarded in the market in next five quarters.
[2]Other includes hybrid, cost-plus, time and materials, and other contract types

ADDITIONAL DISCLOSURES – QUARTERLY RECONCILIATIONS

(Dollars in millions, except share and per share amounts)	Three Months Ended Jun 30, 2018
Net Income (Loss) Attributable to MDR	$47
Less: Adjustments	
Transaction costs[1]	37
Costs to achieve CPI[2]	63
Intangible amortization[3]	22
Debt extinguishment costs[4]	14
Tax benefit on intercompany transfer of IP[5]	(117)
Total Non-GAAP Adjustments	21
Tax Effect of Non-GAAP Changes[6]	(8)
Total Non-GAAP Adjustments (After Tax)	12
Non-GAAP Adjusted Net Income Attributable to McDermott	**$59**
Operating Income	$49
Non-GAAP Adjustments[7]	123
Non-GAAP Adjusted Operating Income	**$172**
Non-GAAP Adjusted Operating Margin	9.9%
Diluted EPS	$0.33
Non-GAAP Adjustments[8]	(0.04)
Non-GAAP Diluted EPS	**$0.29**
Shares used in computation of earnings (loss) per share:	
Basic	144
Diluted	144
Cash flows from operating activities	$398
Capital expenditures	24
Free cash flow	**$374**
Revenues	$1,735

Reconciliation of Non-GAAP to GAAP financial measures

Note: Amounts have been rounded to the nearest million, except per share amounts. Totals may not foot as a result of rounding.

1) We recognized $37 million of transaction costs associated with our combination with CB&I during the second quarter of 2018.
2) Costs to achieve our Combination Profitability Initiative (CPI) include restructuring and integration costs. We incurred $63 million of costs from CPI in the second quarter of 2018.
3) Intangibles amortization includes the amortization of all acquired intangibles from the combination with CB&I, including project-related intangibles and other intangible assets (process technologies, trade names, trade markets, and customer relationships).
4) As part of the financing of the combination with CB&I and establishment of our new capital structure during Q2 2018, we incurred costs associated with the prepayment of our prior credit facility and senior notes of $14 million, which includes a make-whole premium and the accelerated write-off of debt issuance costs.
5) During Q2 2018, we benefited from the tax benefit of $117 million resulting from the internal transfer of certain intellectual property rights.
6) The adjustments to GAAP Net Income have been income tax effected when included in net income based on the respective tax jurisdiction in which the adjustments were incurred.
7) Includes the Non-GAAP adjustments described in footnotes 1, 2, and 3 above. Adjustments to operating income exclude the debt extinguishment costs and tax benefit on the intercompany transfer of IP, as these items are not included in the computation of operating income.
8) Adjusted diluted EPS includes the intangibles amortization described in footnote 3 above.

ADDITIONAL DISCLOSURES – EBITDA RECONCILIATIONS

Reconciliation of Non-GAAP to GAAP financial measures

	Three Months Ended		
	Jun 30, 2018	Mar 31, 2018	Jun 30, 2017
(Dollars in millions)			
Net income (loss) attributable to McDermott	$47	$35	$36
Add:			
Depreciation & amortization	57	23	28
Interest expense, net	72	12	22
Provision for income taxes	(84)	21	23
EBITDA[1]	**$92**	**$90**	**$109**
EBITDA	$92	$90	$109
Adjustments:			
Transaction costs	37	3	-
Costs to achieve CPI	63	11	-
Debt extinguishment costs	14	-	-
Adjusted EBITDA[1]	**$208**	**$104**	**$109**

1) We define EBITDA as net income plus depreciation and amortization, interest expense, net, and provision for income taxes. We define Adjusted EBITDA as EBITDA less the transaction costs, costs to achieve CPI, and debt extinguishment costs detailed in the immediately preceding pages. We have included EBITDA and Adjusted EBITDA disclosures in this supplemental deck because EBITDA is widely used by investors for valuation and comparing our financial performance with the performance of other companies in our industry and because Adjusted EBITDA provides a consistent measure of EBITDA relating to our underlying business. Our management also uses EBITDA and Adjusted EBITDA to monitor and compare the financial performance of our operations. EBITDA and Adjusted EBITDA do not give effect to the cash that we must use to service our debt or pay our income taxes, and thus do not reflect the funds actually available for capital expenditures, dividends or various other purposes. In addition, our presentation of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures in other companies’ reports. You should not consider EBITDA or Adjusted EBITDA in isolation from, or as a substitute for, net income or cash flow measures prepared in accordance with U.S. GAAP.

ADDITIONAL DISCLOSURES – 2018 GUIDANCE RECONCILIATIONS

Reconciliation of Forecast Non-GAAP to US GAAP financial measures

	Second Half 2018 Guidance
	(Dollars in millions)
Revenues	$4.8B - 5.1B
Operating Income	$235 - 265
Operating Margin	4.9% - 5.2%
Costs to Achieve CPI	~85
Intangibles Amortization	~85
Total Adjustments	~170
Adjusted Operating Income	**$405 - 435**
Adjusted Operating Margin	8.0% - 8.5%
Net Income	$60 - 70
Total Adjustments	~170
Tax Impact of Adjustments	~(30)
Adjusted Net Income	**$200 - 210**
Less: Intangibles Amortization	~(85)
Plus: Tax Impact of Intangibles Amortization	~18
Subtotal	$133 - 143
Diluted Share Count	~180
Adjusted EPS	**$0.74 - 0.80**
Cash Flows from Operating Activities	$(350) - (370)
Capital Expenditures	~80
Free Cash Flow	**$(430) - (450)**
Net Income Attributable to McDermott	$60 - 70
Add:	
Depreciation and amortization	100 - 130
Interest expense, net	~170
Provision for taxes	~20
EBITDA	**$350 - 390**
Costs to Achieve CPI	~85
Adjusted EBITDA	**$435 - 475**

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