



CREDIT SUISSE 6th ANNUAL INDUSTRIALS CONFERENCE

MCDERMOTT

November 29, 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, project milestones, percentage of completion, expected timetables and projected cash flows, 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, targeted savings from cost synergies and the other expected impacts of CPI, including anticipated implementation costs, our expectations about the timelines and anticipated amount and use of proceeds from the sales of the tank storage and pipe fabrication businesses, the schedule for the closing of the private placement, our assessments and beliefs with respect to the three legacy Focus Projects of CB&I, continued recovery in the markets in which we operate and second half 2018 guidance and expectations relating to that guidance. 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 Backlog and Adjusted EBITDA and forecast adjusted operating income, adjusted operating margin, adjusted net income, adjusted EPS, adjusted EBITDA and free cash flow. These non-GAAP financial measures should be considered as supplemental to, and not as a substitute for or superior to, the financial measures prepared in accordance with GAAP.

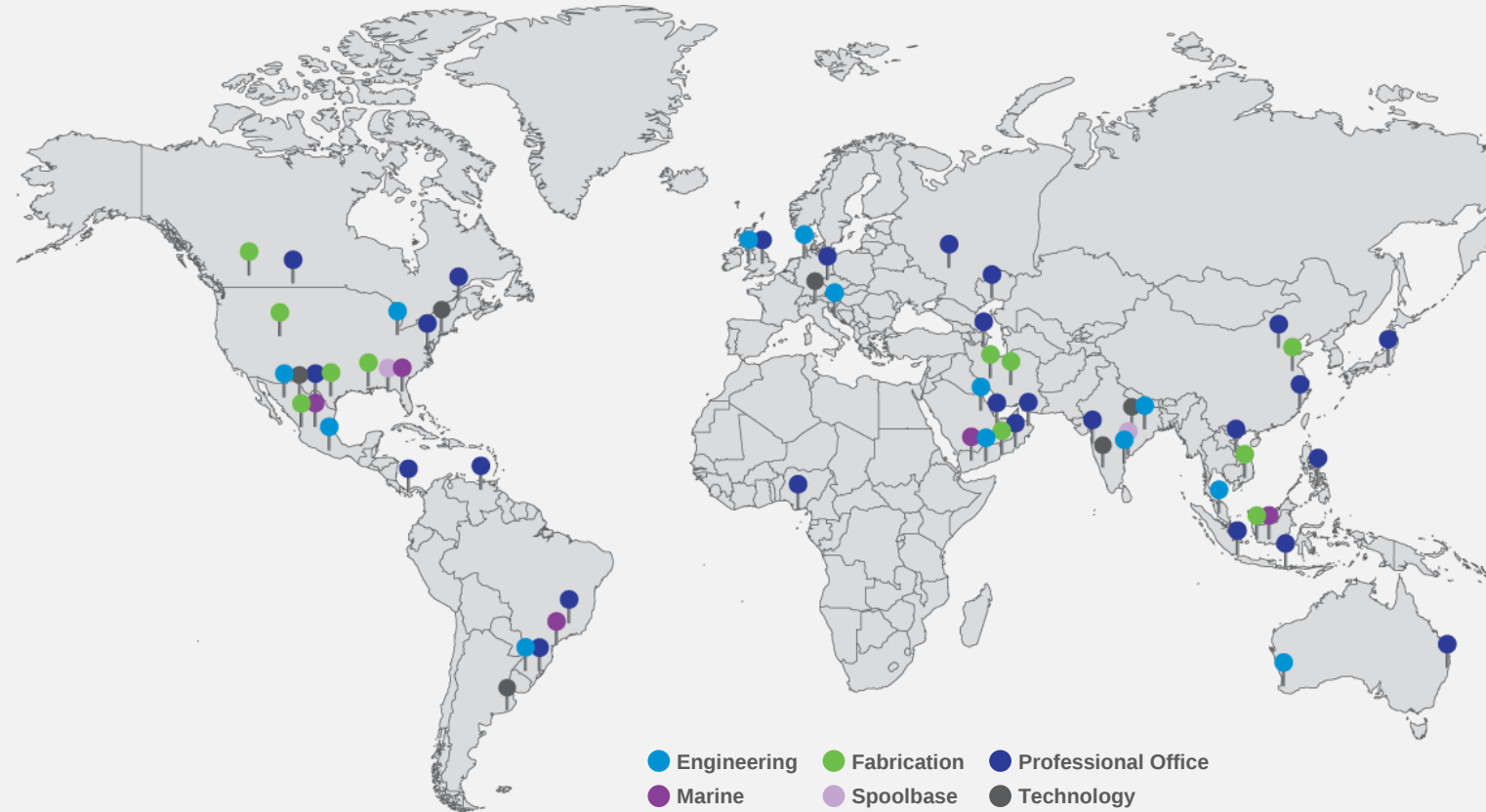
Reconciliations of these non-GAAP financial measures to the most comparable GAAP measures are provided in the Financial Appendix of this presentation.



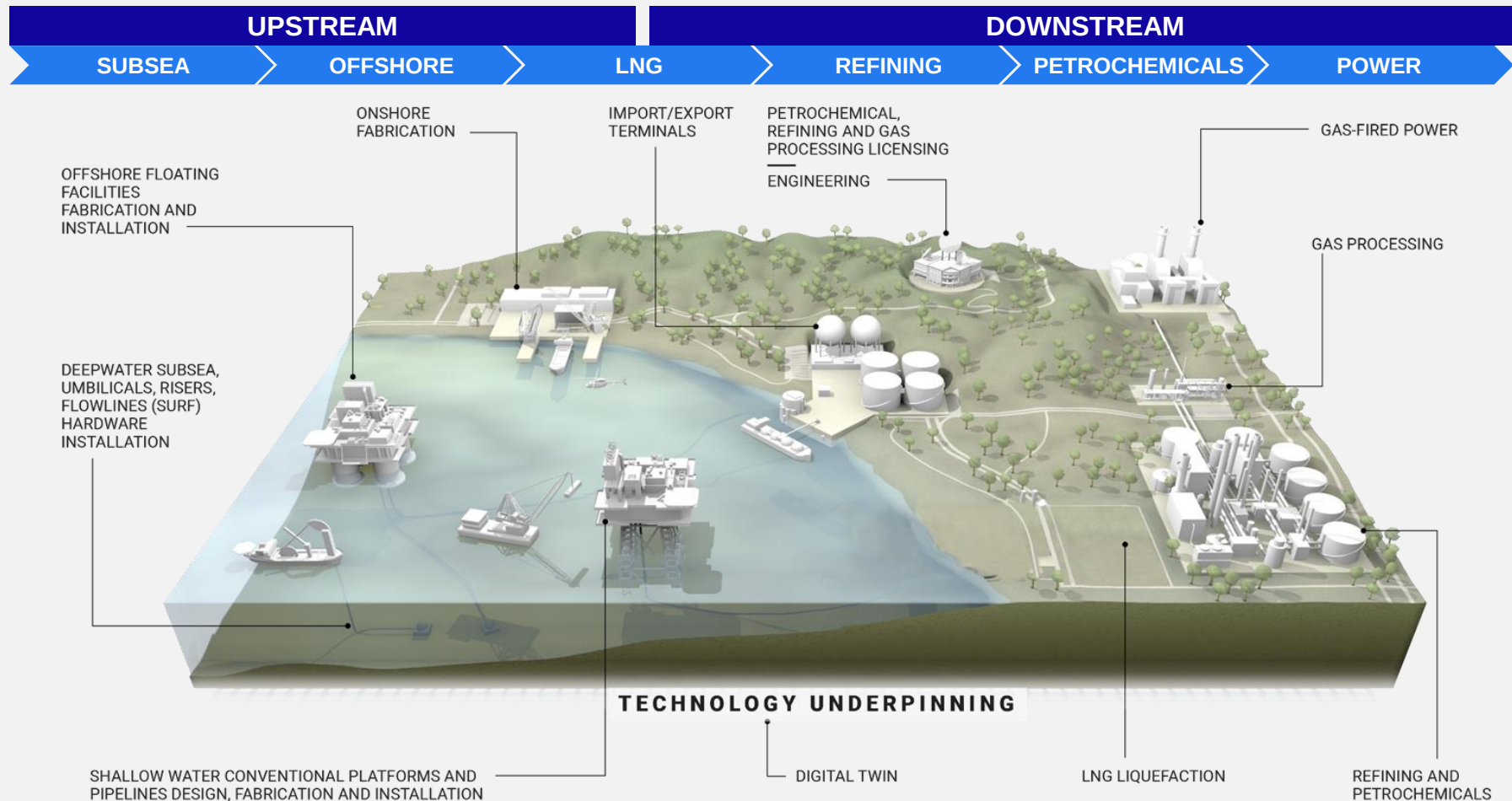
COMPANY OVERVIEW

- Global, fully vertically integrated onshore-offshore EPC/EPCI provider with a market-leading technology portfolio
- Diversified capabilities, well positioned globally with a \$80.3Bn¹ 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 driven by end market recovery and anticipated increased customer capex spend

MCDERMOTT

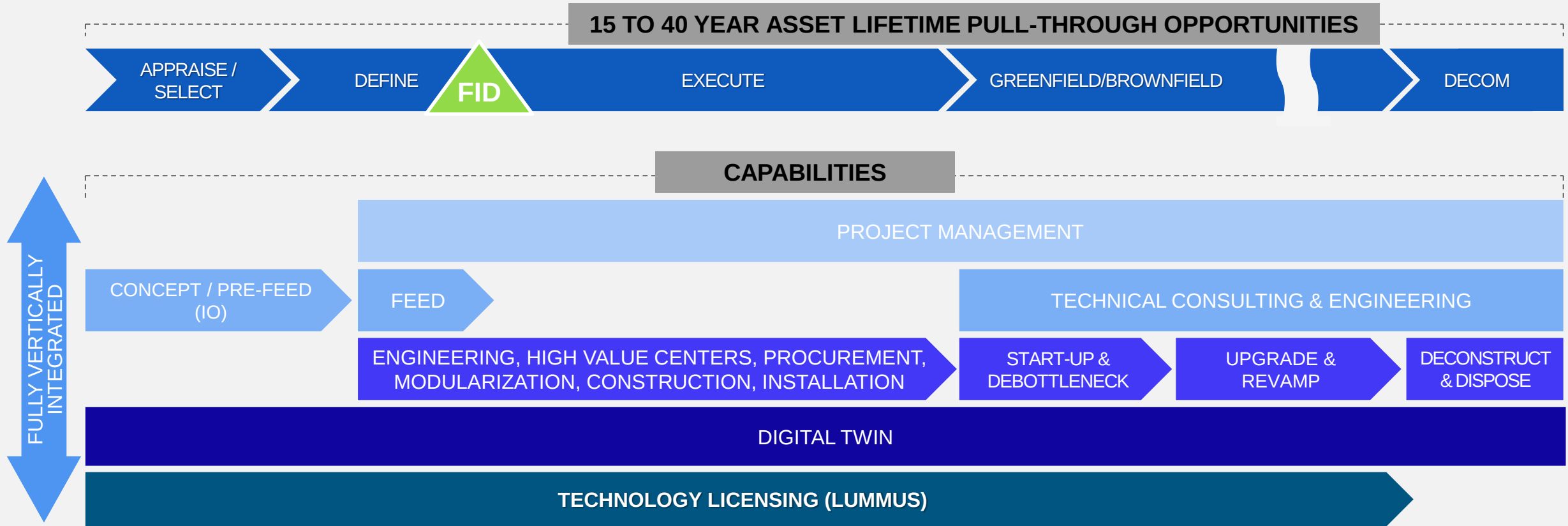


TECHNOLOGY LED EPC/EPCI COMPANY WITH DIFFERENTIATED VERTICAL INTEGRATION CAPABILITIES



WE PROUDLY CREATE AND DELIVER COMPLETE, INNOVATIVE SOLUTIONS AS THE TRUSTED GLOBAL PARTNER, ENABLING OUR CUSTOMERS TO MAXIMIZE THE POTENTIAL OF NATURAL RESOURCES

FULLY VERTICALLY INTEGRATED CAPABILITIES



SERVING THE CUSTOMER THROUGHOUT THE LIFE OF THE ASSET

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
- ~\$8 billion of petrochemical & refining pull-through success in past five years resulting from licensing sales
- 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, we expect this business segment to 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

LEADER IN 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 ~\$22 billion of Backlog¹, Bids and Change Orders Outstanding and Target projects² as of September 30, 2018



¹Our backlog is equal to our Remaining Performance Obligations (RPOs) as determined in accordance with U.S. GAAP

²There 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: ONE MCDERMOTT WAY

CENTRALIZED CONTRACTING AND PROJECT EXECUTION

Project Management	Bidding	- All EPCI bids, onshore and offshore, prepared by central Proposals & Estimating function - Each bid has a 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 and project risk management (through a formal risk management procedure)	Results - Helps ensure optimal allocation of resources - Greater 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 facilities operate to consistent 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	Results - 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

COMBINATION WITH CB&I DELIVERING SIGNIFICANT BENEFITS

- Enthusiastic customer support of CB&I combination with Q3 2018 bookings of \$3.1Bn; book-to-bill ratio of 1.3:1
- Combination Profitability Initiative (CPI) ahead of schedule; announced \$319M of implemented annualized cost synergies and increased target from \$350M to \$475M
- \$1.6 billion in revenue synergies booked
- Continued momentum early in Q4 2018; ~\$700M award from ONGC KG-DWN 98/2
- Relationship with Saudi Aramco continues to build on combined leadership position in the Middle East
- Exceptional progress in the global integration of people, systems and processes

THIRD QUARTER OVERVIEW

- **Solid underlying financial performance** – Q3 2018 revenues of \$2.3Bn, Adjusted EBITDA of \$275M¹ and total cash availability of \$1.4Bn
- Well-positioned to benefit from a **cyclical recovery in energy infrastructure spending**, with a Q3 book to bill ratio of 1.3:1 and a \$80.3Bn² revenue opportunity pipeline in served markets
- Expectation of no further material charges on **3 legacy “focus” projects, which continue to be de-risked**, after Q3 recognition of significant changes in estimates
- **Completed strategic review of business portfolio** and announced plan to divest storage tank business and U.S. pipe fabrication business
- Enhanced readiness to book **anticipated strong award flow** with commitments for a \$230 million increase in letter-of-credit capacity, subject to closing conditions
- **Strengthened balance sheet** through the private placement of \$300 million of redeemable preferred stock



1. Reconciliations of these non-GAAP financial measures to the most comparable GAAP measures are provided in the Financial Appendix of this presentation.
2. As of September 30, 2018.

LEGACY FOCUS PROJECTS OVERVIEW

\$ in millions

	FREEPORT ⁴	CAMERON	CALPINE
Cumulative POC ¹	82%	83%	91%
Gross Profit	Loss	Loss	Loss
Accrued Loss Provision	(\$28)	(\$127)	(\$43)
Operational Update	- Train 1 88% complete with construction. - Train 2 progressing as expected with improved productivity due to lessons learned from Train 1 and nearing 81% complete with construction. - Train 3 impacted more significantly by effects of Harvey but still making progress and is 70% complete with construction.		
Other JV Members	Chiyoda and Zachry Construction	Chiyoda	N/A
Revenues in Q3 2018 ²	\$220	\$191	\$29
Backlog Roll-off in Q4 2018 ²	\$210	\$173	\$19
Backlog Roll-off 2019 Onwards ²	\$412	\$385	\$8
Cash Flow Use in Q3 2018	(\$115)	(\$34)	(\$14)
Projected Cash Flow Use in Q4 2018	(\$174)	(\$81)	(\$29)
Projected Cash Flow Use in 2019	(\$64)	(\$320)	(\$41)
Projected Cash Flow in 2020	\$47	\$43	\$ -
Change in Estimate at Completion Identified in Q3 2018 ³	(\$194)	(\$482)	(\$68)
Targeted Completion	Train 1: Q3 2019 Train 2: Q1 2020 Train 3: Q2 2020	Phase 1: Q2 2019 Train 2: Q4 2019 Train 3: Q1 2020	Q1 2019

- 1) Represents the cumulative percentage of completion ("POC"), which includes progress achieved prior to the Combination. 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 36%, 37% and 53% for the Freeport, Cameron and Calpine projects, respectively, as of September 30, 2018.
- 2) Due to all three projects being in a loss position, with the exception of the Freeport Train 3 project, the reported gross margin for each project will be \$0. As such, revenues recognized will be equal to costs recognized in all future periods.
- 3) Represents the net change in gross profit as a result of changes in estimates of the revenues and costs at completion as of the date of the Combination which were identified in Q3 2018. These changes in estimates were made by McDermott when reassessing the fair value of acquired contracts. These changes in estimate did not directly impact our Q3 2018 earnings due to the application of purchase accounting.
- 4) Includes the Freeport Trains 1 & 2 and Freeport Train 3 projects, which are performed by two separate consortiums. As of September 30, 2018, the Freeport Train 3 project was profitable and was not in a loss position.



STRENGTHENED BALANCE SHEET AND INCREASED LETTER OF CREDIT CAPACITY

- \$300 million redeemable preferred stock, with warrants to purchase 3.75% of our common stock
 - Strengthens balance sheet and provides incremental liquidity
 - Private placement allowed for in-depth diligence process
 - Expected to close November 29, 2018
 - Partnering with reputable institution that supports management team and business strategy
- \$230 million increase in letter of credit capacity
 - Enhances the company's readiness to book anticipated strong order intake



AVAILABLE CASH AND LC AVAILABILITY

AVAILABLE CASH

As of Sept. 30, 2018	
Cash and cash equivalents	580
Cash available from revolver	848
Total Available Cash	1,428
Restricted cash	325

REVOLVER AVAILABILITY

■ Availability

\$1Bn



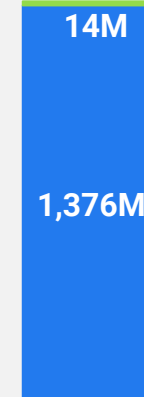
Revolver

LC AVAILABILITY

■ Availability

■ Usage

\$1.4Bn



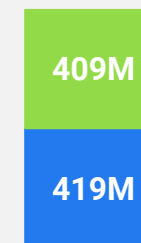
LC Facility

\$1.6Bn



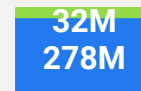
Uncommitted
Bilaterals

\$0.8Bn



Surety

\$0.3Bn



Cash
Secured

- Over \$1.1 billion in LC capacity, and commitments for an incremental \$230 million increase in LC capacity, subject to closing conditions
- Significant LC availability supports our revenue opportunity pipeline of \$80.3 billion as of Q3 2018 and anticipated strong order intake
- Strengthened balance sheet through the private placement of \$300 million of redeemable preferred stock, providing liquidity to fund working capital needs
- Anticipate proceeds from divestiture of storage tank business and U.S. pipe fabrication business in excess of \$1 billion in 2019

COMPLETED STRATEGIC PORTFOLIO REVIEW

- Focus remains on technology pull through with differentiated vertical integration capabilities
- Identified U.S. Pipe Fabrication and Tank Storage businesses as divestiture candidates
- Process underway with expected completion of U.S. Pipe Fabrication sale and Tank Business sale in 2019
- 2017 revenues of ~\$1.5 Billion and expected proceeds in excess of \$1 billion

U.S. PIPE FABRICATION BUSINESS

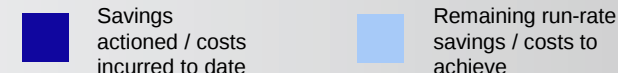
- Provides fabricated piping systems and piping fabrication, with capabilities in induction bending. Develops and uses proprietary welding techniques, computer applications for material control, production scheduling and fabrication management
- APP – Maintains and distributes extensive inventory of commodity fittings and specialty piping components in stainless, alloy and carbon steel for sale to third parties and for internal fabrication use

TANK BUSINESS

- Provides services and solutions for storage tanks and pressure vessels for the oil & gas, power, water, wastewater, and metals and mining industry
- Solutions include LNG storage, storage terminals for bulk liquids and refrigerated products, water storage tanks and pressure spheres
- Has built over 46,000 storage structures in more than 100 countries
- Plate fabrication facilities located in Houston, TX; Clive, IA; Everett, WA; Al Aujam, Saudi Arabia and Kwinana, Australia

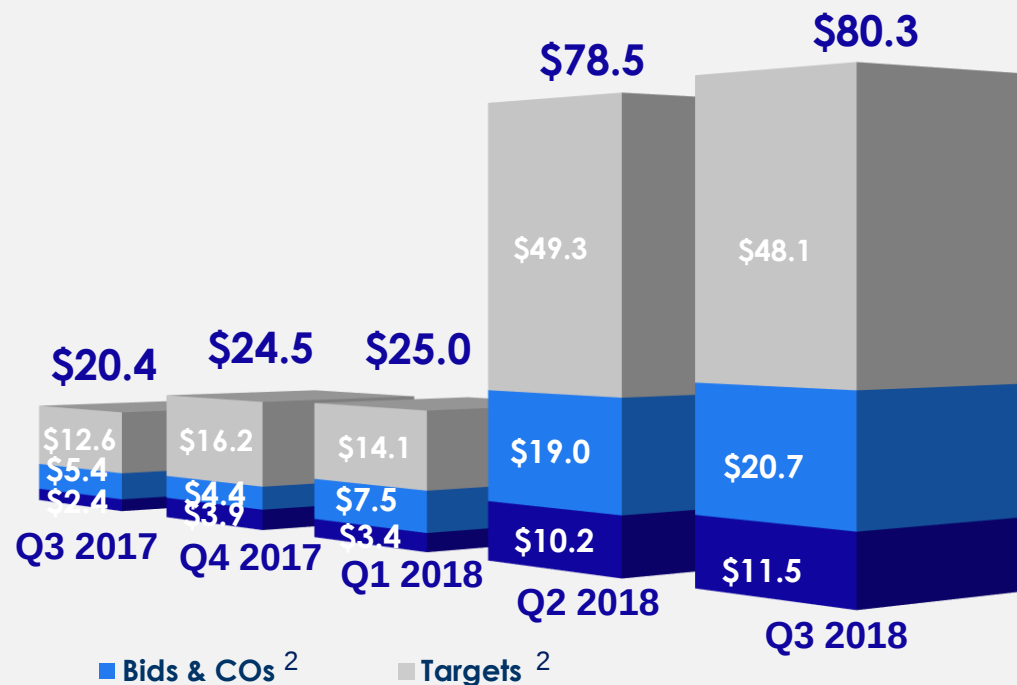
Q3 UPDATE: COMBINATION PROFITABILITY INITIATIVE (“CPI”)

CATEGORY		SOURCE	TOTAL ACTIONED/TARGETED CPI SAVINGS/COSTS	
COSTS OF OPERATIONS	SUPPLY CHAIN	- Consolidate buying power to negotiate improved pricing or rebates with suppliers - Improved category management and strategic sourcing - Negotiate improved sub-contract pricing with providers based on volume	174	\$99 \$75
	OPERATIONS & PROJECT	- Pooling of operations support resources in high value centers - Consolidate offices and facilities based on proximity and reduce office footprint - Increase asset and tool utilization by transferring or reusing on subsequent projects - Reduce spend on travel expenses by encouraging video conferencing and adjusting policies	166	\$138 \$28
SG&A	BACK OFFICE SUPPORT	- Move transactional back-office support to high value centers - Optimize functional staffing levels to industry or internal best practices - Eliminating duplicate services	95	\$73 \$22
	SYSTEMS & APPLICATIONS	- Eliminate redundant systems - Reduce applications and associated support - Consolidate duplicate technology licenses and reduce number of overall user licenses required	40	\$9 \$31
TOTAL TARGETED CPI SAVINGS			475	\$319 \$156
ESTIMATED TOTAL COSTS TO ACHIEVE			190	\$106 \$84

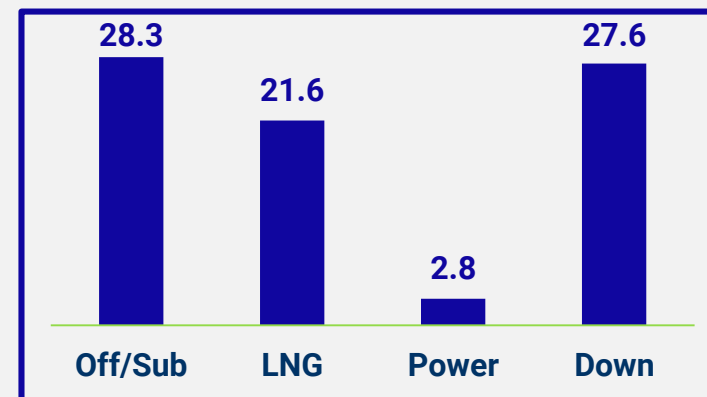


- Targeted CPI savings increased from \$350 million to \$475 million
- Implemented \$319 million of annualized savings as of Q3 2018
- CPI resulted in \$40 million positive impact to Q3 2018 earnings and \$57 million in cash savings achieved in the third quarter
- One-time benefit of \$52 million recognized during the third quarter due to sale of former CB&I administrative headquarters

Q3 2018 \$80.3Bn REVENUE OPPORTUNITY PIPELINE STRENGTH IN END-MARKETS (\$ in billions)



All end markets are recovering



Recent Examples of Momentum on Key Projects:

Downstream	Bayport Polymers LLC	HDPE Plant – Borstar Bay3	Awarded Q3 2018
Power	Entergy	Entergy Power Station Project	Awarded Q3 2018
Downstream	Lukoil	Lukoil DCU EPC	Awarded Q3 2018
Offshore/Subsea	ONGC	DWN-98/2	Awarded Q4 2018
LNG	NextDecade	Rio Grande LNG	Announced will partner with Saipem to bid

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



¹Our backlog is equal to our Remaining Performance Obligations (RPOs) as determined in accordance with U.S. GAAP

²There 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.

SECOND HALF 2018 GUIDANCE

\$ in millions, except per share amounts, or as indicated

Earnings Metrics	Second Half 2018 Guidance
Revenues	\$4.8B - 5.1B
Operating Income	\$200 - 230
Operating Margin	4.2 - 4.5%
Net Interest Expense ¹	~\$170
Income Tax Expense	~\$65
Net Income	\$(10) - (20)
Diluted Net Income, Per Share	\$(0.06) - (0.11)
Diluted Share Count	~180
EBITDA ²	\$375 - 415
Adjustments	
Transaction Costs ³	~\$5
Costs to Achieve CPI ⁴	~\$75
Intangibles Amortization ⁵	~\$130
Adjusted Earnings Metrics	
Adjusted Operating Income ²	\$405 - 435
Adjusted Operating Margin ²	8.0% - 8.5%
Adjusted Net Income ²	\$150 - 160
Adjusted EPS ²	\$0.31 - 0.36
Adjusted EBITDA ²	\$450 - 490
Cash Flow & Other Metrics	
Cash from Operating Activities	\$(520) - (540)
Capex	~\$60
Free Cash Flow ²	\$(580) - (600)
Cash Interest / DIC Amortization Interest	~\$150 / ~\$20
Cash Taxes	~\$95
Corporate and Other Operating Income ⁶	\$(200) - (225)
Cash, Restricted Cash and Cash Equivalents	\$450 - 500
Gross Debt ⁷	~\$3.6B
Net Working Capital	~\$(1.5B)

~ = 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) Transaction costs primarily represent success fees incurred after the Combination. No tax impact is forecasted for these costs.
- 4) Costs to achieve CPI include restructuring and integration costs. The forecasted tax impact of these costs is approximately \$5 million.
- 5) Intangibles amortization represents the amortization of project-related and other intangibles. The forecasted tax impact of the amortization is approximately \$30 million.
- 6) 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.
- 7) Ending Gross Debt excludes debt issuance costs and capital lease obligations.

GUIDANCE AS OF OCTOBER 30, 2018, AND IS NOT BEING UPDATED OR REAFFIRMED AT THIS TIME

- This guidance is based on the Company's existing portfolio and capital structure as of September 30, 2018
- McDermott is updating its guidance for the second half of 2018, primarily to reflect increased intangibles amortizations, our updated tax forecast, and the changes in estimates on the legacy focus projects
- Continue to see solid revenues and adjusted EBITDA reflecting the continued strong, growing revenue opportunity pipeline
- Cash flow and net working capital guidance has been adjusted to reflect the anticipated incremental cash usage due to the changes in estimates on the legacy focus projects





FINANCIAL APPENDIX

ADDITIONAL DISCLOSURES – QUARTERLY RECONCILIATIONS

Reconciliation of Non-GAAP to GAAP financial measures

	Three Months Ended		
	Sep 30, 2018	Jun 30, 2018	Sep 30, 2017
(Dollars in millions, except share and per share amounts)			
Net Income (Loss) Attributable to MDR	\$2	\$47	\$95
Less: Adjustments			
Transaction costs ¹	5	37	-
Costs to achieve CPI ²	31	63	-
Intangibles amortization ³	68	22	-
Debt extinguishment costs ⁴	-	14	-
Tax benefit on intercompany transfer of IP ⁵	-	(117)	-
Total Non-GAAP Adjustments	103	21	-
Tax Effect of Non-GAAP Changes ⁶	(17)	(8)	-
Total Non-GAAP Adjustments (After Tax)	87	12	-
Non-GAAP Adjusted Net Income Attributable to McDermott	\$89	\$59	\$95
Operating Income	\$129	\$49	\$125
Non-GAAP Adjustments ⁷	103	123	-
Non-GAAP Adjusted Operating Income	\$232	\$172	\$125
Non-GAAP Adjusted Operating Margin	10.2%	9.9%	13.0%
Diluted EPS	\$0.01	\$0.33	\$1.00
Non-GAAP Adjustments ⁸	0.19	(0.04)	-
Non-GAAP EPS	\$0.20	\$0.29	\$1.00
Shares used in computation of earnings (loss) per share:			
Basic	180	144	95
Diluted	181	144	95
Cash flows from operating activities	\$(221)	\$398	\$45
Capital expenditures	19	24	16
Free cash flow	\$(240)	\$374	\$29
Revenues	\$2,289	\$1,735	\$959

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 \$5 million and \$37 million of transaction costs associated with the Combination during the third and second quarters of 2018, respectively.
- 2) Costs to achieve our Combination Profitability Initiative (CPI) include restructuring and integration costs. We incurred \$31 million and \$63 million of costs from CPI in the third and second quarters of 2018, respectively.
- 3) Intangibles amortization includes the amortization of all acquired intangibles from the Combination, including project-related intangibles, other intangible assets (process technologies, trade names, trade marks, and customer relationships), and amortization of investments in unconsolidated affiliates.
- 4) As part of the financing of the Combination 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		
	Sep 30, 2018	Jun 30, 2018	Sep 30, 2017
(Dollars in millions)			
Net income (loss) attributable to McDermott	\$2	\$47	\$95
Add:			
Depreciation & amortization	107	57	28
Interest expense, net	86	72	12
Provision for income taxes	44	(84)	19
EBITDA¹	\$239	\$92	\$155
EBITDA	\$239	\$92	\$155
Adjustments:			
Transaction costs	5	37	-
Costs to achieve CPI	31	63	-
Debt extinguishment costs	-	14	-
Adjusted EBITDA¹	\$275	\$208	\$155

- 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	\$200 - 230
Operating Margin	4.2 - 4.5%
Transaction Costs	~5
Costs to Achieve CPI	~75
Intangibles Amortization	~125
Total Adjustments	~205
Adjusted Operating Income	\$405 - 435
Adjusted Operating Margin	8.0% - 8.5%
Net Income	\$(10) - (20)
Total Adjustments	~205
Tax Impact of Adjustments	~(35)
Adjusted Net Income	\$150 - 160
Less: Intangibles Amortization	~(125)
Plus: Tax Impact of Intangibles Amortization	~30
Subtotal	\$55 - 65
Diluted Share Count	~180
Adjusted EPS	\$0.31 - 0.36
Cash Flows from Operating Activities	\$(520) - (540)
Capital Expenditures	~60
Free Cash Flow	\$(580) - (600)
Net Income Attributable to McDermott	\$(10) - (20)
Add:	
Depreciation and amortization	160 - 190
Interest expense, net	~170
Provision for taxes	~65
EBITDA	\$375 - 415
Costs to Achieve CPI	~75
Adjusted EBITDA	\$450 - 490

