# Built-In Value McDermott International, Inc.

2001 Annual Report

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**Financial Highlights**

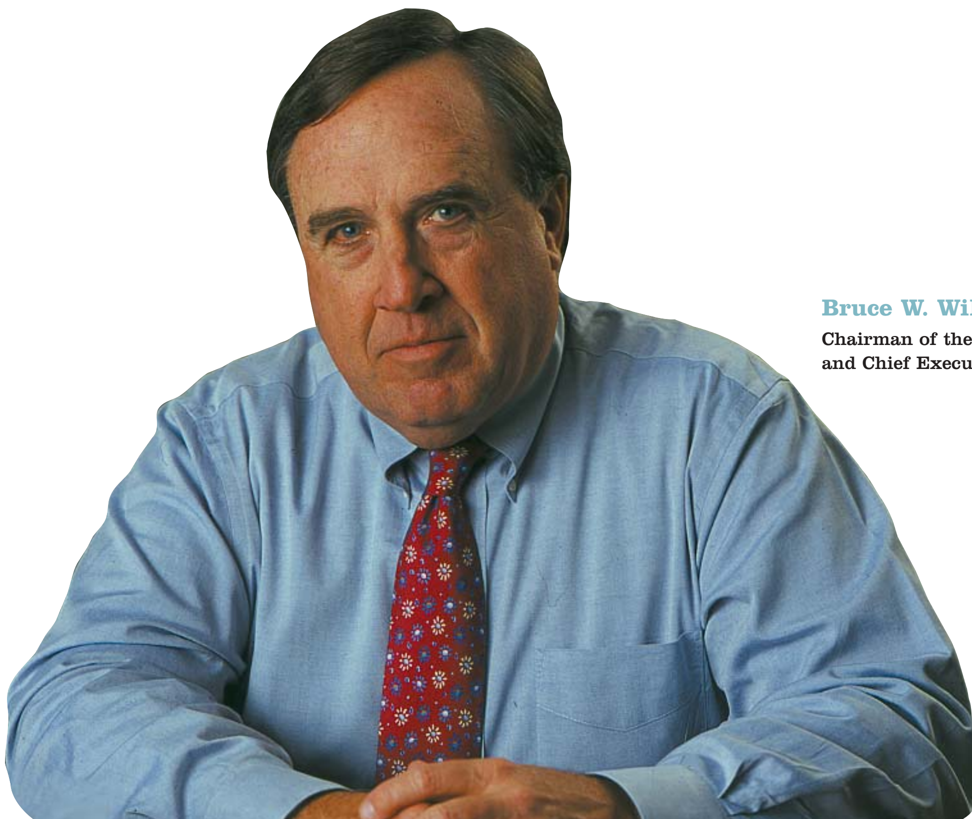
**Millions of dollars and shares, except per share amounts and employees**

| Year Ended | 12/31/01 | 12/31/00* |
|---|---|---|
| Diluted Loss per Share before Extraordinary Item | $ (0.34) | $ (0.37) |
| Diluted Loss per Share | $ (0.33) | $ (0.37) |
| Dividends per Share of Common Stock | $ 0.00) | $ 0.10 |
| Revenues | $ 1,969.8 | $ 1,877.8 |
| Operating Income | $ 80.6 | $ 9.1 |
| Net Loss before Extraordinary Item | $ (20.8) | $ (22.1) |
| Extraordinary Item | $ 0.8 | $ -- |
| Net Loss | $ (20.0) | $ (22.1) |

| | 12/31/01 | 12/31/00 |
|---|---|---|
| Total Cash and Investments | $ 527.9 | $ 445.8 |
| Total Debt | $ 309.9 | $ 419.5 |
| Working Capital | $ (177.4) | $ 103.4 |
| Stockholders' Equity | $ 770.1 | $ 776.6 |
| Stockholders' Equity per Share | $ 12.69 | $ 12.92 |
| Capital Expenditures | $ 45.0 | $ 49.3 |
| Depreciation and Amortization | $ 62.4 | $ 63.9 |
| Weighted Average Number of Common Shares, Diluted | 60.7 | 59.8 |
| Employees | 13,300 | 11,800 |

*Includes results of operations for The Babcock & Wilcox Company through February 21

**Company Profile** McDermott International is an energy services company whose customers include oil and gas producers, hydrocarbon processors, electric utilities and the United States Government. The company operates worldwide through subsidiaries that carry some of the best-known names in their industries: J. Ray McDermott in marine construction; BWX Technologies in U.S. Government and Department of Energy markets; Babcock & Wilcox in the power generation industry; Hudson Products, a leader in heat-exchange equipment; and McDermott Technology, the company's research and development subsidiary.



**Bruce W. Wilkinson**
Chairman of the Board
and Chief Executive Officer

**I am pleased to report that McDermott International, Inc. made considerable progress in 2001 toward delivering sustainable profitability, a restored balance sheet and a simplified corporate structure.**

**Upon becoming CEO, I articulated a goal of rebuilding our profitability around our strong "franchise" name businesses—J. Ray McDermott, BWX Technologies and Babcock & Wilcox.**

**To Our Shareholders:**

I am pleased to report that McDermott International, Inc. made considerable progress in 2001 toward delivering sustainable profitability, a restored balance sheet and a simplified corporate structure.

Upon becoming CEO, I articulated a goal of rebuilding our profitability around our strong "franchise" name businesses—J. Ray McDermott, BWX Technologies and Babcock & Wilcox (B&W). In 2000, BWX Technologies was the only one of these businesses to generate an operating profit. In 2001, all three produced an operating profit and positive cash flow. This achievement came as our consolidated revenues grew from $1.88 billion in 2000 to $1.97 billion in 2001 and B&W's revenues grew from $1.2 billion in 2000 to $1.4 billion in 2001. The details of our operations' financial performances can be found in the operating reviews that follow and in our Form 10-K. B&W is not included in our consolidated financial statements during its Chapter 11 reorganization.

Including several non-operating items, all reflecting steps taken to strengthen our balance sheet, we reported a net loss of $0.33 cents a share in 2001, compared with a net loss of $0.37 a share in 2000. The non-operating items in 2001 reduced our earnings by $0.97 a share and included a $0.8 million after-tax gain on the early extinguishment of debt; a $25.6 million after-tax gain on the sale of the Delta companies (our Canadian engineering and construction business); and an $85.4 million provision for taxes resulting from McDermott Incorporated's decision to exercise its stock purchase and sale agreement, also known as the Intercompany Agreement or put/call agreement, with McDermott International, Inc. Exclusive of these non-operating items, our consolidated operations earned net income of $0.64 a share in 2001, compared to the net loss of $0.37 a share in 2000.

Last year began with a slowing but still strong economy. Expectations for high energy prices provided an outlook for growth in J. Ray McDermott's offshore oil and gas markets. For the first time in 15 years, high electricity demand portended growth in Babcock & Wilcox's market for new coal-fired power generation capacity. But a gradually deepening recession and the tragic events of September 11 reduced demand for oil and gas and consequently decreased commodity prices.

Notwithstanding the dramatic change of circumstances during the course of the year, J. Ray McDermott's gross revenues grew from $758 million to $849 million and its operations moved from a loss of $32 million to a profit of $21 million on a year-to-year comparison. More significantly, however, J. Ray McDermott entered 2001 with a backlog of $542 million; by year-end 2001 backlog had more than tripled to $1.8 billion, providing substantial momentum for revenues in 2002.

BWX Technologies, our operation with the longest lead-time backlog and typically the least volatility in revenues and earnings, also turned in a solid year of growth. Year over year, revenues rose from $431 million to $472 million and operating earnings grew from $46 million to $55 million. Our nation's commitment to defense and homeland security is reflected in the budgets of BWX Technologies' customers, providing continued opportunity for this business.

Although B&W is deconsolidated from our results, I am also proud of its turnaround. In 2000, B&W reported revenues of $1.2 billion and an operating loss of $3 million, while in 2001 B&W reported $1.4 billion in revenues and $39 million in operating income. The spike in demand for new power plants that was expected early in the year was delayed, but service to existing plants provides substantial opportunity for B&W.

**In addition to a return to profitability at every business unit, we also had considerable success in generating cash in 2001. We ended the year with a consolidated net investment that improved by over $190 million during the year, with an additional improvement of $32 million at B&W.**

In addition to a return to operating profitability at every business unit, we also had considerable success in generating cash in 2001. We ended the year with a consolidated net investment that improved by over $190 million during the year, with an additional improvement of $32 million at B&W. Cost reductions in our corporate office and in our operating units' general and administrative (G&A) expense further contributed to this impressive turnaround in our cash flow as did our sale of the Delta companies in October 2001. Subsequent to the close of 2001, we announced our intention to also divest Hudson Products Corporation. These efforts generated the cash that was needed to meet the March 15, 2002, debt maturity and support our plan to restore strength to our balance sheet. They are also consistent with the aforementioned operating strategy of concentrating on our three core franchise name business units.

Besides addressing basic profitability, cash flow and G&A issues this time last year, I also articulated several goals geared to a strengthened balance sheet, a simpler corporate structure and resolution of B&W's asbestos-driven Chapter 11 proceeding. While none of these goals can be put in the column marked 100% achieved, we made considerable progress on each.

Through the several efforts outlined above, our overall liquidity turned impressively, coming from negative operating cash flow of $49 million in 2000 to positive operating cash flow of $175 million in 2001. Because of this improvement, we were able to end the year with no borrowings against our credit facilities, repurchase $29 million in aggregate principal amount of McDermott Incorporated's 9 3/8% public debt prior to its March 15, 2002, maturity and redeem the remaining principal of $196 million at maturity.

Both the repayment of McDermott Incorporated's 9 3/8% public debt due March 2002 and our goal of a simpler corporate structure were facilitated by McDermott Incorporated's exercise of its rights under the Intercompany Agreement subsequent to the close of the year. This agreement was originally created in connection with the 1982 corporate inversion, which resulted in McDermott International, Inc., a Panamanian corporation, becoming the parent corporation and McDermott Incorporated, a Delaware corporation and the former parent, becoming a subsidiary of McDermott International. With its exercise under the agreement, McDermott Incorporated received $243 million in cash, enough to redeem the remaining debt and make payment on about half of the $85.4 million in tax due on the proceeds. I believe clearing up this residue of our history will enhance McDermott International's flexibility to recapitalize and grow shareholders' equity in a post-B&W Chapter 11 existence.

Probably our greatest disappointment in 2001 was our inability to successfully negotiate an acceptable resolution to B&W's asbestos-driven Chapter 11. We have actively and consistently pursued a dual strategy of negotiation and litigation to resolve B&W's Chapter 11. The cost of litigation is enormous, but the process has provided us with important victories. The costs peaked in 2001 as we went to court with a group of London underwriters who sought to annul their obligations for insurance coverage of B&W's asbestos claims and as we also fought the asbestos plaintiffs' challenge of certain B&W asset transfers that occurred as part of a 1998 corporate restructuring. Both of these actions required substantial expenditures by Babcock & Wilcox and its subsidiaries, the only corporate entities in Chapter 11, and by McDermott Incorporated. Additionally, virtually every week of the year brought B&W to the docket of either the federal Bankruptcy Court or federal District Court. Expenses relating to these proceedings exceeded

**Our mission remains the same—grow our "franchise" name businesses, improve liquidity and strengthen our balance sheet, simplify our corporate structure and resolve the B&W Chapter 11.**

$35 million at B&W and a collective $15 million outside of B&W. Our operating results were impacted accordingly, although the actual cost, which includes a sizable drain of management's time and attention, is even more substantial.

However, our efforts at the courthouse have lent substance to our long-held belief that B&W's asbestos claims can be resolved with the assets available to B&W, including applicable insurance proceeds. The insurance matter, heard in federal District Court, reconfirmed the integrity of our insurance coverage block, while the federal Bankruptcy Court's ruling that B&W was solvent as of July 1, 1998, provides substantial support to the validity of the asset transfers. These two court victories are especially important, and I believe, provide guideposts toward the ultimate settlement of all the issues of B&W's Chapter 11. Both the District Court and Bankruptcy Court have continued to maintain aggressive schedules clearly designed to expedite resolution of the issues.

The list of U.S. companies driven to Chapter 11 by asbestos claims grew dramatically in 2001 and has continued to grow in 2002. As this crisis grows in scope, the Rand Corporation, the Manville Trust and numerous other authoritative groups continue to point to an unsettling reality: easily more than 70% of all asbestos claims are filed on behalf of people who are unimpaired—in other words people with no manifestation of an asbestos related condition. While B&W stands ready to provide just compensation to those who are truly ill from exposure to asbestos in its products, clearly this unprecedented assault on U.S. industry cries out for a legislative solution. However, with or without legislation, we are committed to resolving B&W's asbestos exposure on a basis consistent with the best interest of our shareholders. We will expend every reasonable effort to reach that resolution in 2002, but we have no assurance that we can do so.

We entered 2002 with a strong backlog in all our operating units, and we expect each to show revenue and earnings improvements over the levels reported in 2001. Our mission remains the same—grow our "franchise" name businesses, improve liquidity and strengthen our balance sheet, simplify our corporate structure and resolve the B&W Chapter 11.

As we strive toward our goals, I appreciate the confirmed support of all our stakeholders—employees, lenders, shareholders—and communities where we live and work.

Sincerely,

**Bruce W. Wilkinson**
**Chairman of the Board and**
**Chief Executive Officer**
**March 2002**

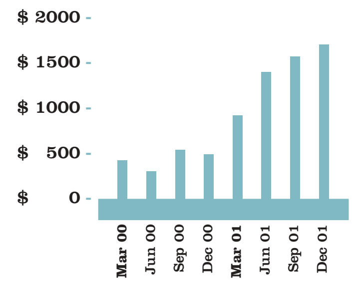
**The year end backlog was its highest since 1991 and provides significant momentum to J. Ray McDermott for 2002 and beyond.**


**Marine Construction Services**

| Millions of dollars | Year Ended 12/31/01 | Year Ended 12/31/00 |
|---|---|---|
| Revenues | $ 848.5 | $ 757.5 |
| Segment Income (Loss) | $ 21.3 | $ (31.7) |
| Backlog | $ 1,800.5 | $ 541.6 |
| Segment Assets | $ 1010.3 | $ 896.8 |
| Capital Expenditures | $ 25.7 | $ 31.3 |
| Depreciation and Amortization | $ 46.6 | $ 45.8 |

**Marine Construction Backlog**

Millions of dollars




## J. Ray McDermott

As high commodity prices in 2000 and early 2001 stimulated the spending plans of its customers, J. Ray McDermott saw its most active year for new bookings in recent history. From its low in June 2000, the marine construction backlog grew more than five times by the end of 2001, from $312 million to $1.8 billion. The ending backlog is the highest since 1991 and provides significant momentum to J. Ray McDermott for 2002 and beyond.

The improvements reflect both the worldwide strength of marine construction markets and J. Ray McDermott's worldwide presence. To provide capacity for the record level of fabrication work that began in 2001, fabrication yards were reopened and reconfigured to improve capacity.

These facilities play an important role not only in their local markets, but also in J. Ray McDermott's global engineer-procure-construct capability. Two important spar projects—Murphy Medusa and Dominion Devils Tower—marked the emergence of a strategy to utilize worldwide assets for deepwater development in the Gulf of Mexico. The hulls for these floating production facilities will be fabricated in the Middle East and Far East, while the topside components will be fabricated in our U.S. Gulf Coast facilities.

As it began this new phase in its involvement in spar platforms, J. Ray McDermott also worked in its traditional role on two important projects for Kerr McGee and began its largest ever fabrication program with work for BP. Kerr McGee's Nansen and Boomvang topsides were completed during 2001, with the Nansen installation completed in 2001 and the Boomvang installation to be completed in 2002. Work on topsides for BP's deepwater program in the Gulf of Mexico, which includes at least two spar platforms and two other floating facilities, was under way in the second half of 2001 at the Morgan City, Louisiana, fabrication facility. The Morgan City facility is exclusively dedicated to BP over the next several years.

In the Far East, work commenced in support of Conoco's Belenak development in Indonesia. Also under way during 2001 was Phillips' Bayu Undan project, which includes two jackets being fabricated at Bantam for installation with associated pipelines in the East Timor Sea.

In the Middle East, fabrication and installation projects were under way for Qatar's Rasgas Upstream LNG facilities and Elf Nigeria's 11,000 tonne Amenam process platform. Projects recently completed include those for Shell Nigeria, Qatar Petroleum and Saudi Aramco.

The improvement in activity during the year, including the completion of several large projects, helped J. Ray McDermott increase revenues by about 12%. As activity increased, segment operating results made an improvement of over $50 million in 2001. In addition, J. Ray McDermott's net investment position improved by over $145 million.

While traditional markets provided substantial activity in 2001, J. Ray McDermott also marked success in emerging markets. Most notable was the award of contracts valued at $320 million for the fabrication of topsides and the installation of offshore pipelines in the Azerbaijan sector of the Caspian Sea. J. Ray McDermott initiated an Atlantic plan, with the award of a project off Argentina in the South Atlantic Ocean and the establishment of a new presence in West Africa.

Results in 2002 will be driven by work awarded to J. Ray McDermott in the previous year. As the year begins, low commodity prices affect the outlook for marine work, and new work in the Gulf of Mexico and Far East is likely to be delayed until there is an indication of recovery. However, more opportunities are emerging in the Atlantic, off Africa and Brazil. In the Middle East, new projects, stimulated primarily by natural gas demand, have lifted the market to its highest levels in several years while activity in the Caspian Region looks set to continue through 2006.

**Babcock & Wilcox had a year of dramatically improved performance, strong bookings and continued growth in nearly all areas of operation.**

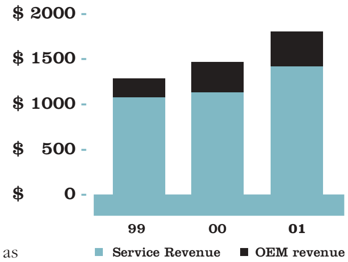

**Power Generation Systems***

| Millions of dollars | Year Ended 12/31/01 | Year Ended 12/31/00 |
|---|---|---|
| Revenues | $ 1,479.7 | $ 1,196.3 |
| Segment Income (Loss) | $ 36.0 | $ (35.6) |
| Backlog | $ 1,429.7 | $ 1,079.3 |
| Segment Assets | $ 2,107.3 | $ 2,053.4 |
| Capital Expenditures | $ 10.8 | $ 14.3 |
| Depreciation and Amortization | $ 17.9 | $ 17.0 |

* Includes results of entities currently in Chapter 11 reorganization as well as other entities managed by Babcock & Wilcox. Results include legal and other expenses related to B&W's asbestos claims of approximately $35.2 million in 2001 and $21.6 million in 2000.

**B&W Revenue**

**Millions of dollars**




## Babcock & Wilcox

Even as the world's electricity demands continued to grow, the power industry remained volatile as The Babcock & Wilcox Company's (B&W) customers weighed future needs against current financial constraints. In the United States, increased power requirements and a spike in natural gas prices early in the year led to intense interest in new coal-fired power plants; however, the subsequent downturn in the economy and softening of natural gas prices had a quick and dramatic negative impact as the year progressed. Though the U.S. service market remained strong, many new power projects on the horizon were canceled or delayed indefinitely as utilities struggled to react to the rapidly changing economic outlook.

Adjusting to these market conditions, B&W had a year of dramatically improved performance, strong bookings and continued growth in nearly all areas of operation as it strengthened its focus on aftermarket services to its traditional North American market. The year also saw a renewed emphasis on excellence in project execution and process improvement, with the launch of an employee-driven quality enhancement program and several comprehensive project-automation projects.

B&W ended 2001 with revenues of more than $1.4 billion and a backlog of over $1.3 billion. It posted nearly a 20% revenue increase for the second year in a row, driven primarily by strong bookings in service and construction units.

Major achievements during the year included winning a $130 million environmental contract to supply selective catalytic reduction (SCR) systems for a major Canadian utility, as well as the successful completions of a 550MW boiler replacement, finished in less than 22 months, and two large SCRs for a major utility in the northeastern United States. Whether providing environmental equipment, original equipment or replacement parts and services, B&W continued to build on its reputation for excellence throughout the year, providing value-added solutions to meet its customers' energy needs.

Other 2001 highlights included:

- bookings of more than $1.8 billion, primarily in the U.S. service and construction markets;
- delivery of the steam drum to the only new capacity pulverized coal-fired power plant currently being built in the United States—an 80MW plant in Wyoming;
- ongoing long-term bookings for SCR systems in the U.S., recognizing B&W's experience-based solutions for customers' cost and schedule requirements;
- further penetration into the market for NOx reduction in tangential-fired boilers;
- completion of full-scale testing of advanced mercury removal technology at 55MW and 1300MW sites in Michigan and Ohio;
- continued dominance in the North American nuclear steam generator market and successful expansion into the growing reactor closure head and spent fuel cask markets;
- ongoing strategic growth of the Diamond Power International unit with the acquisition of Diamond Electronics industrial camera business;
- sustained emphasis on world sourcing of raw materials resulting in significant cost savings across the organization.

Going forward, even as B&W strives to enhance value and anticipate market demands, achieving profitable, predictable results will remain its top priority. Whether aggressively driving improvement in productivity and excellence in project execution, enhancing relationships with customers or identifying opportunities for strategic growth, a renewed sense of urgency, objectivity and accountability is apparent throughout B&W. Now, more than ever before, B&W and its employees are dedicated to safeguarding their hard-earned reputation as the world's premier boilermaker. They are committed to making smart decisions, delivering solid improvements to the bottom line and powering the world through teamwork and innovation.

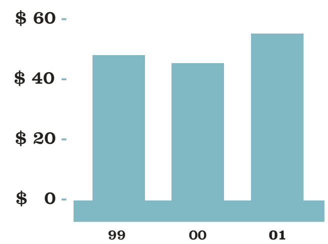

**BWXT's success has been built on its reputation for excellence as a manufacturer of nuclear components and energy products for its primary customer, the U.S. Government.**


**Government Operations**

| Millions of dollars | Year Ended 12/31/01 | Year Ended 12/31/00 |
|---|---|---|
| Revenues | $ 472.4 | $ 431.3 |
| Segment Income | $ 54.8 | $ 45.9 |
| Backlog | $ 1,008.4 | $ 1,078.8 |
| Segment Assets | $ 245.8 | $ 229.8 |
| Capital Expenditures | $ 18.7 | $ 15.3 |
| Depreciation and Amortization | $ 9.3 | $ 9.3 |

**BWX Operating Performance**

Millions of dollars




## BWX Technologies

McDermott International's Government Operations segment consists of BWX Technologies (BWXT) and its joint ventures. These operations reported revenues of $472.4 million in 2001.

BWXT continues to be a diversified manufacturer of nuclear components and advanced energy products for its primary customer, the U.S. Government. BWXT's unique capabilities and management experience with nuclear facilities operations and special nuclear materials is being utilized at U.S. Department of Energy (DOE) sites in ten states.

In addition to its leadership in the environmental restoration of former defense nuclear facilities, BWXT's presence in support of nuclear facilities operations for the National Nuclear Security Administration (NNSA) grew to three times its original size. BWXT teams at the sites perform vital work for our national security, such as final nuclear weapons assembly, manufacturing critical weapons components and safeguarding a substantial portion of our nation's defense nuclear material stockpile.

BWXT's role in the U.S. DOE market now includes the management of prime contracts with budgets of over $300 million at each of two sites. In early 2001, BWXT assumed management and operating (M&O) responsibility for the Pantex plant near Amarillo, Texas. BWXT is also the lead contractor at the Y-12 facility in Oak Ridge, Tennessee. The combined annual budget for these sites is nearly $1 billion, which BWXT manages on behalf of the U.S. Government. Also in 2001, BWXT Services, Inc. (BWXS) was awarded a five-year contract by the University of California for nuclear facilities operations advisory and assistance support services at Los Alamos National Laboratories.

With the renewed emphasis on national security since the tragic events of September 11, 2001, BWXT is evaluating potentially expanded markets initiated by President Bush's nuclear arms reduction agreements and nuclear non-proliferation directives.

BWXT's operations in Virginia, Ohio and Indiana focus on products for America's defense needs. Facility upgrades to enhance manufacturing capabilities have been conducted at all of these sites, improving reliability and product quality. In response to increased forecasts in defense spending, state-of-the-art equipment and personnel are being added. BWXT continued the production of medical targets and research/test reactor components and the downblending of highly enriched uranium. Productivity records were set in the downblending operations.


**Industrial Operations***

| Millions of dollars | Year Ended 12/31/01 | Year Ended 12/31/00 |
|---|---|---|
| Revenues | $ 601.7 | $ 504.0 |
| Segment Income (Loss) | $ 12.6 | $ 11.3 |
| Backlog | $ 39.3 | $ 396.4 |
| Segment Assets | $ 46.4 | $ 132.6 |
| Capital Expenditures | $ 3.4 | $ 2.0 |
| Depreciation and Amortization | $ 3.2 | $ 3.9 |

* Includes results from McDermott's engineering and construction business through October 29, 2001

## Industrial Operations

For most of 2001, our Industrial Operations consisted of the Delta companies, McDermott's engineering and construction business based in Canada; Hudson Products, a manufacturer of heat-exchange equipment; and McDermott Technology Inc. (MTI), the technology development arm of our company, which supports all our units and provides contract research and development.

In October 2001, we sold the engineering and construction business as part of McDermott's focus on its core marine construction, power generation and government businesses.

With the sale of the Delta companies, Industrial Operations were refocused on Hudson Products and McDermott Technology. Hudson is a leader in the design, manufacture and servicing of heat transfer equipment for the petroleum, chemical, gas processing and electric utility industries. Hudson's state-of-the-art facilities include metal-working machinery, computerized fiberglass molding equipment, wind tunnel thermal labs, and full-scale fan test stands. Hudson also provides computational fluid dynamics modeling for new or existing plants to predict or solve hot-air recirculation problems.

Hudson's products are manufactured and sold under internationally recognized trademarks such as Fin-Fan® Air-Cooled Heat Exchangers, Hy-Fin® Extruded Finned Tubing, and Tuf-Lite® and Tuf-Lite II® FRP Axial Flow Fans for air coolers and cooling towers. Other Hudson trademarks include the Stac-Flo® and Steamflo® air-cooled steam condensers and Heatflo® air-preheaters and Thermflo® process and tank heaters.

Subsequent to the end of 2001, we announced our intention to sell Hudson as part of our focus on our core business operating strategy and generation of cash to strengthen our balance sheet.

MTI posted significant progress in the development of solid oxide fuel cell power systems technology during 2001. A joint proposal with Cummins Power Generation to develop a 10KW solid oxide fuel cell power generator for recreational vehicles and similar applications was accepted by the Department of Energy, and the team was placed under contract late in 2001. In addition to fuel cells, product development work at MTI included successful completion of the detailed design of two integrated fuel-processing systems to generate hydrogen (for fuel cells) from distillate fuels.

# Board of Directors

**Bruce W. Wilkinson**
Chairman of the Board and
Chief Executive Officer

**Philip J. Burguieres** [3, 5]
Chief Executive Officer,
EMC Holdings LLC; Vice
Chairman, Houston Texans

**Ronald C. Cambre** [1, 2]
Former Chairman of the Board
and Chief Executive Officer,
Newmont Mining Corporation

**Bruce DeMars** [2, 4, 5]
Partner, RSD, LLC; Admiral,
United States Navy (Retired)

**Joe B. Foster** [1, 4, 5]
Non-Executive Chairman of the
Board, Newfield Exploration
Company; Former Interim
Chairman of the Board,
President and Chief Executive
Officer, Baker Hughes
Incorporated

**Robert L. Howard** [2, 3, 5]
Former Vice President,
Shell Oil Company

**John W. Johnstone, Jr.** [1, 2, 3]
Former Chairman of the Board
and Chief Executive Officer,
Olin Corporation

**John N. Turner** [1, 4]
Partner,
Miller Thompson

**Richard E. Woolbert** [3, 4, 5]
Former Executive Vice President
and Chief Administrative Officer
McDermott International, Inc.

1 Audit Committee
2 Compensation Committee
3 Directors Nominating and Governance Committee
4 Special Committee
5 Executive Committee

# Officers of McDermott International, Inc. and Subsidiaries

CORPORATE STAFF

**Bruce W. Wilkinson**
Chairman of the Board
and Chief Executive Officer

**Francis S. Kalman**
Executive Vice President
and Chief Financial Officer

**John T. Nesser, III**
Executive Vice President,
General Counsel and Corporate
Secretary

**Thomas A. Henzler**
Vice President, Finance
and Corporate Controller

**Robert A. Jolliff**
Treasurer

**Louis J. Sannino**
Senior Vice President, Human
Resources, Corporate Compliance
Officer

BABCOCK & WILCOX

**David L. Keller**
President and
Chief Operating Officer

**Brandon C. Bethards**
Vice President and
General Manager,
Fossil Power Division

**Eileen M. Competti**
President, Diamond Power
International, Inc.

**Paul P. Koenderman**
Vice President; President,
Babcock & Wilcox
Canada

**James L. Kulig**
Vice President and
General Manager,
B&W Service Company

**Michael G. Morash**
Vice President and
General Manager,
B&W Construction Company

**Richard E. Reimels**
Vice President and
General Manager,
International Services

**R. Jere Shopf**
Senior Vice President and
Chief Restructuring Officer

BWX TECHNOLOGIES

**E. Allen Womack, Jr.**
President and
Chief Operating Officer;
President and
Chief Technology Officer,
McDermott Technology

**John A. Fees**
Vice President and
General Manager; President,
BWXT Services

**Douglas L. Garlock**
Vice President and
General Manager,
Nuclear Equipment Division

**Winfred D. Nash**
Vice President and
General Manager,
NNFD-Lynchburg

**J. Rod Woolsey**
Senior Vice President,
Operational Assurance

INDUSTRIAL OPERATIONS

**P. Eric Ralston**
President,
Hudson Products Corporation

J. RAY McDERMOTT

**Robert H. Rawle**
President and
Chief Operating Officer

**Hafez K. Aghili**
Vice President and
General Manager,
Middle East Area

**Clifford E. Bell**
Vice President and
General Manager,
Western Hemisphere

**Daniel M. Houser**
Vice President and
General Manager,
Atlantic Operations

**John D. Krueger**
Vice President, Planning and
Business Development

**Kurt S. Nelson**
Vice President and
General Manager,
Eastern Hemisphere

**F. Rickey Oehrlein**
Vice President and
General Manager,
Project Services,
Compliance Director

**Steven W. Roll**
Vice President and
General Manager,
Far East Area

McDERMOTT TECHNOLOGY

**Rodger W. McKain**
Vice President and
General Manager,
Research and Development

WASHINGTON, D.C.
OPERATIONS

**Bruce N. Hatton**
Vice President and
General Manager,
Government Operations

## Corporate Information

### TRANSFER AGENT AND REGISTRAR

Equiserv Trust Company, N.A.
P.O. Box 2500
Jersey City, New Jersey
07303-2500
Common Stock of McDermott International, Inc.

### TRUSTEES AND AGENTS

United States Trust Company of New York
114 West 47th Street
New York, New York 10036-1532
Medium-term Notes,
Series A Due 1997-2003
Series B Due 1998-2023

The Chase Manhattan Bank
1201 Main Street
Suite 1800
Dallas, Texas 75201
6.80% Pollution Revenue Bonds,
Series A Due February 1, 2009

### INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
639 Loyola Avenue
Suite 1800
New Orleans, Louisiana 70113
(504) 558-8200

### ANNUAL MEETING

The Annual Meeting of the Shareholders of McDermott International, Inc., for the year ended December 31, 2001, will be held at the Hotel-Intercontinental, New Orleans, Louisiana, on Wednesday, May 1, 2002, at 9:30 a.m. local time.

### INFORMATION

Additional information about our company, including financial statement schedules and exhibits to the Annual Report to shareholders on Form 10-K for the year ended December 31, 2001, may be obtained without charge by writing or calling:

Investor Relations
McDermott International, Inc.
1450 Poydras Street
New Orleans, Louisiana 70112
(504) 587-5400

### STOCKHOLDER INQUIRIES

Inquiries regarding stockholder account matters should be addressed to:

Equiserv Trust Company, N.A.
P.O. Box 2500
Jersey City, New Jersey
07303-2500
(800) 446-2617

### STOCK EXCHANGE

The Company's Common Stock is listed on the New York Stock Exchange. Symbol: MDR

Unless the context otherwise requires, the use in this report (other than the Form 10-K) of the term McDermott International, Inc., refers solely to McDermott International, a Panama corporation; the term J. Ray McDermott refers to J. Ray McDermott, S.A., a Panama corporation, and its consolidated subsidiaries; and the term McDermott refers to the consolidated enterprise. The use of such terms as company, division, organization, joint ventures, we, us, our and its, when referring either to McDermott International, Inc. and its consolidated subsidiaries or to subsidiaries and non-subsidiaries, either individually or collectively, is only for convenience and is not intended to describe legal relationships. Significant subsidiaries of McDermott International, Inc. are listed as an exhibit to the Annual Report of Form 10-K of McDermott International, Inc. for the year ended December 31, 2001, as filed with the United States Securities and Exchange Commission. The segments, units, divisions and groups of McDermott International described in this report are not corporate entities.

**McDermott International, Inc.**

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