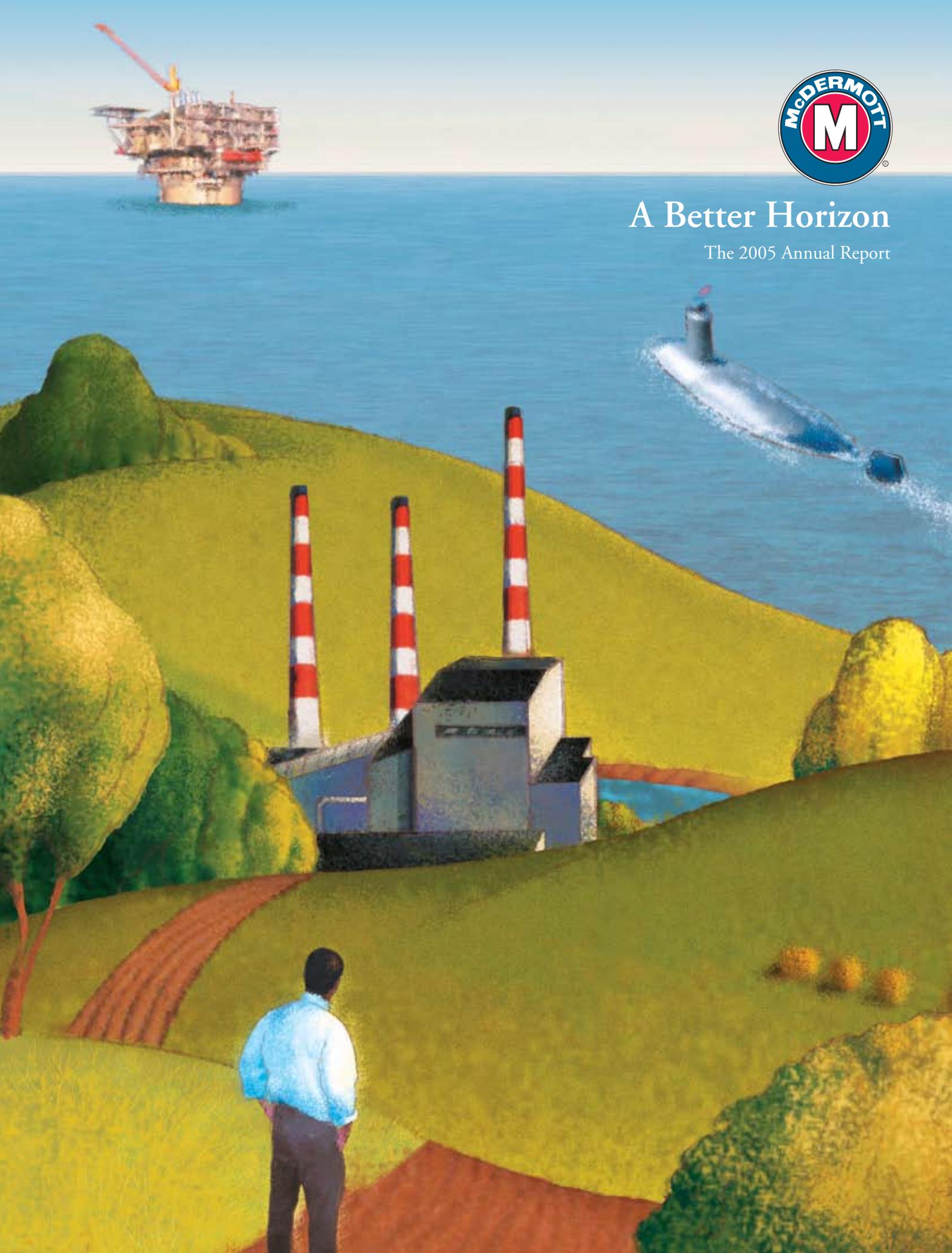




# A Better Horizon

The 2005 Annual Report

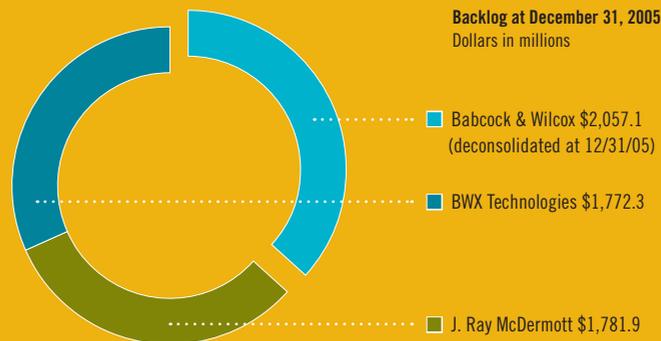


McDermott International, Inc. is a leading worldwide energy services company. McDermott subsidiaries provide engineering, construction, installation, procurement, research, manufacturing, environmental systems, project management and facilities management services to a variety of customers in the power and energy industry, including the U.S. Department of Energy. The Company operates through subsidiaries with some of the best-known names in their industries: J. Ray McDermott in the marine construction industry; The Babcock & Wilcox Company in the power generation industry; and, BWX Technologies in government operations.

Backlog is an industry-utilized measure representing a company's expected future revenues from projects currently under contract. As the graph to the right demonstrates, year-end backlog among our business units is well diversified.

Although The Babcock & Wilcox Company was not consolidated at December 31, 2005, beginning in February 2006, our Power Generation Systems segment will represent a significant portion of our consolidated backlog.

This broad level of work between coal, nuclear and oil & gas projects is indicative of McDermott's status as a leading worldwide energy services company.



## 2005 BUSINESS HIGHLIGHTS

### J. Ray McDermott

Marine Construction Services



#### 2005 HIGHLIGHTS

- Completed West Azeri topsides facilities – weighing over 15,000 tons and incurring five million man-hours, 85% by local Azeri craftsmen
- Installed facilities in Mexico's Bay of Campeche utilizing the DB16 and DB101
- Awarded \$1.8 billion of new projects, including Saudi Aramco, RasGas, Woodside, Arthit, Tahiti, Genghis Kahn and Shah Deniz
- Launched Project Execution University, Compliance Leadership Teams and Global Welding Technology Council
- Achieved ISO 9001 certification for Houston Engineering; Caspian operations certified in major ISO/OHSAS standards
- J. Ray and Keppel FELs formed FloaTEC joint venture to provide clients with unbiased deepwater oil and gas solutions
- Received ExxonMobil Contractor of the Year Safety Award, Jebel Ali and Five Star Safety Award, Morgan City, and achieved 10 and 30 million man-hours without a lost-time injury at Jebel Ali and Batam, respectively

### BWX Technologies

Government Operations



#### 2005 HIGHLIGHTS

- Awarded Los Alamos National Laboratory M&O contract as Los Alamos National Security team member
- Received year-end contracts over \$410 million to manufacture nuclear components for U.S. defense programs
- Contracts extended at both Y-12 National Security Complex and Pantex Plant for five-year periods
- Restarted Y-12 enriched uranium operations
- Awarded Advanced Mixed Waste Treatment Plant contract as Bechtel BWXT Idaho team member
- Assumed management and operations of Idaho National Laboratory as Battelle Energy Alliance team member
- Savannah River Site Tritium Extraction Facility construction completed ahead of schedule
- Strategic Petroleum Reserve awarded *Malcolm Baldrige National Quality Award*
- BWXT facilities improved safety performance by 63 percent over the past two years
- Launched Excellence in Human Performance Improvement with goal to achieve zero workplace injuries

### Babcock & Wilcox

Power Generation



#### 2005 HIGHLIGHTS

- Negotiated a revised settlement agreement which became effective February 2006
- B&W's environmental business received nearly \$600 million of new orders for the design and construction of scrubbers and SCR's
- Awarded new boiler design and construction orders for new plants in Nevada and Wyoming
- Nuclear activity included an award for the design and manufacture of 16 replacement steam generators and associated bulkhead work for an Ontario power plant
- Major projects included a turnkey boiler modification and scrubber installation in Canada; completion of several large boiler upgrade projects; and installation of environmental equipment throughout the United States
- B&W's joint venture in Beijing completed 4,400MW of coal-fired boilers for Chinese utilities, and maintained a backlog of 13,590 MW in additional orders
- B&W continued to emphasize safe work practices, improving its safety performance an additional 64% in 2005

## FELLOW SHAREHOLDERS

**O**ur company, McDermott International, Inc. (“McDermott”), is a world-wide energy services company, providing engineering, procurement, construction and installation services and manufactured products through its three “franchise name” subsidiaries. The overarching theme between the businesses is energy – whether the source is coal, nuclear or oil & gas. The world’s appetite for energy is growing, and McDermott is well-positioned to assist its customers in supplying it.

BWX Technologies, Inc. (“BWXT”) provides nuclear components, equipment and services, primarily for the U.S. Navy, and it manages and operates (“M&O”) various sites for the U.S. Department of Energy. BWXT serves our nation’s defense industry and is the primary business reflected in our “government operations” segment. J. Ray McDermott, S.A. (“J. Ray”) is a leader in marine construction services for the worldwide offshore oil and gas industry. J. Ray’s operations are reflected in our “marine construction services” segment. Together, government operations and marine construction services are the primary business segments represented in McDermott’s consolidated financial statements in the attached Form 10-K. Our third subsidiary, The Babcock & Wilcox Company (“B&W”), returned to McDermott’s consolidated financial statements in March 2006 as our “power generation systems” segment, reflecting a transformational change for our company.

B&W was deconsolidated from McDermott’s financial statements after its Chapter 11 bankruptcy filing in early 2000. B&W’s insolvency was never related to its normal business operations, but rather was the result of an overwhelming number of claims filed against it alleging exposure to asbestos. Even in bankruptcy, McDermott still managed and operated B&W, and, like our other businesses, B&W has enjoyed a strong improvement in its results. As you will read below, the revised bankruptcy settlement reached in 2005 enabled McDermott to retain B&W for our shareholders.

### THE STORMS OF 2005

While most of this letter will focus on the positive developments and strong financial results that McDermott produced in 2005, my first comments surrounding the last 12 months must begin with the storms we endured. The year started in the aftermath of the tsunami that flooded much of South East Asia, and was followed by the devastating hurricanes that pounded the U.S. Gulf Coast. As a worldwide operator, McDermott has employees and operations in both of these affected regions. Our company was truly blessed that there was no loss of employee life and secondarily, that our operations were largely unscathed. Our luck in no way should imply these events were easy to navigate. Homes, communities, businesses and lives were lost; governments and relief agencies were tested as never before.

**“The overarching theme between the businesses is energy – whether the source is coal, nuclear or oil & gas. The world’s appetite for energy is growing, and McDermott is well-positioned to assist its customers in supplying it.”**

**“McDermott produced many accomplishments during 2005 but without question, I generate the most pride from the generosity, persistence and determination demonstrated by McDermott’s employees.”**

As you'll read later, McDermott produced many accomplishments during 2005 but without question, I generate the most pride from the generosity, persistence and determination demonstrated by McDermott's employees. The Company and its employees contributed over \$1 million to the relief efforts for these disasters. Our New Orleans-based co-workers quickly relocated to Houston and kept the company moving forward despite the unimaginable turmoil in their personal lives. Other McDermott workers opened their homes, hearts and communities to those affected. In all, we pulled together in the face of adversity and kept McDermott moving ahead.

#### COMPLETION OF REMAINING PRIORITIES

On the cover of last year's annual report we highlighted six key priorities that we sought to resolve during 2004. Most of these were checked as completed symbolizing a successful year. However, two critical items remained: Resolve B&W's Chapter 11 Bankruptcy and Grow J. Ray's Backlog.

For the past several years, I had indicated in my letter to shareholders that B&W's Chapter 11 proceedings would likely be resolved through one of two paths – either the previously negotiated settlement, which included giving all of B&W's operations to a plaintiffs' trust, or the preferred path: that B&W would emerge from bankruptcy through passage of national asbestos legislation (the "FAIR Act"). However, early in 2005 we concluded that there was a third, more favorable option and that our shareholders shouldn't have to depend on legislation to retain ownership of B&W. After months of negotiations, we announced in August a revised settlement agreement that enabled McDermott to retain ownership of B&W regardless of the status of the FAIR Act. After fighting the asbestos battle for six years now, it is truly gratifying that McDermott has retained B&W as a contributing subsidiary with its asbestos past put behind us.

The second priority remaining from 2004 related to J. Ray's backlog. Since the second half of 2002, the primary focus for our marine construction business had been to improve execution and profitability. We saw no reason to add new major projects if we questioned our ability to deliver them profitably. During this time, J. Ray's earnings and performance improved dramatically, but its backlog had declined, reaching a low-point of \$930 million at June 30, 2005. As J. Ray began the process of rebuilding backlog, it followed a regimented approach: bid on projects selectively, improve its controls and processes, identify risks and contingencies, and importantly, maintain the financial disciplines it has set for itself. In the third quarter of 2005, the trend ended abruptly – as J. Ray recorded approximately \$1 billion of new awards. Going forward, J. Ray's markets appear strong and its prospects look bright for additional awards for the foreseeable future.

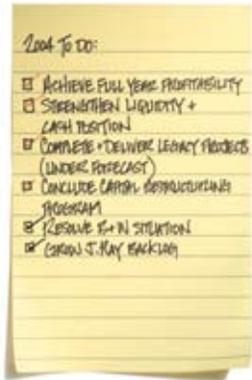
Although these two items were not finished in the desired calendar year (i.e. 2004), we never took these issues off our list. With our diligence in 2005, we can now consider these items complete as well.

#### 2005 – A SPECIAL YEAR

Despite the challenges we faced, 2005 will be remembered as an unprecedented year in terms of our accomplishments and success. A few of the major highlights include:

- B&W and McDermott negotiated the revised settlement for B&W's Chapter 11, were successful in resolving any potential objections to the plan, received the necessary court approvals, obtained exit financing and effected the settlement on February 22, 2006.
- BWXT-led consortia received multi-year extensions to continue the M&O activities at the Pantex and Y-12 sites, and BWXT joined in the winning consortium for the Los Alamos National Laboratory contract.

**"Despite the challenges we faced, 2005 will be remembered as an unprecedented year in terms of our accomplishments and success."**



“The energy industries we serve look to be in an upturn, and McDermott will have B&W contributing again in 2006 and beyond. Our success and achievements have not gone unnoticed. McDermott shares appreciated 143% in 2005.”

- As part of the DynMcDermott Petroleum Operations consortium, BWXT won the national *Malcolm Baldrige Award for Quality* in service operations for its work at the Strategic Petroleum Reserve.
- J. Ray was awarded \$1.8 billion of new work from customers across the globe, formed a new joint venture with Keppel FELS for offshore floating production platforms, continued to build its cash reserves and signed a \$105 million letter-of-credit facility.
- The corporate group achieved success as well. The major credit rating agencies upgraded their ratings on McDermott and our subsidiaries. We redeemed over \$50 million of medium-term notes, negotiated new credit facilities at BWXT and B&W, added two new members to our Board of Directors and additional talent to our senior management team, relocated our corporate offices to Houston and shared in the accomplishments of our segments.
- McDermott’s consolidated results, still excluding B&W’s performance, reflected these achievements and our focus on execution. McDermott earned \$198.0 million of net income, or \$2.72 per fully diluted share.

After 2005, I’m as optimistic about McDermott as I’ve ever been. The energy industries we serve look to be in an upturn, and McDermott will have B&W contributing again in 2006. Our success and achievements have not gone unnoticed. McDermott shares appreciated 143% in 2005, following returns of 54% and 173% in the preceding two years.

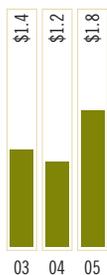
#### BETTER HORIZONS AHEAD

As I look out to our future, it’s a better horizon than I’ve seen in our recent past. In the previous five times I began a new year as McDermott’s CEO, I knew early-on that a battle was looming, a crisis was near or there were fires to extinguish – and in all those years, B&W’s future with McDermott was in doubt. Today, it’s a new view, as the horizon appears much more stable and the issues more manageable. Although McDermott begins 2006 from a better starting position, there is still much work to be accomplished this year and beyond.

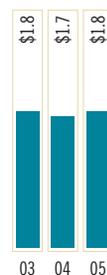
After years in a turnaround mode, the common theme for our business going forward is producing and managing profitable growth. As I indicated earlier, energy by all accounts is in record demand across the board: coal, nuclear and oil & gas. Energy markets have historically been cyclical and as a result, like all engineering and construction companies, our results have been “lumpy,” for lack of a better word. Most forecasters are predicting that this demand-driven cycle for the energy industry will be longer lived than the others of recent decades.

Factors driving today’s growth for McDermott include the historically high prices of crude oil and natural gas, steady increases in fuel and electricity demand, environmental regulations, an aging infrastructure and the development of new energy sources.

While our businesses serve different sets of customers, there are interdependencies in our operations and growth prospects. The surge in the price of natural gas has not only benefited J. Ray, it has also restored demand for B&W’s coal-fired power generation capabilities. During the past two decades America had only a modest amount of new coal-fired power plant activity; today B&W’s customers are considering a large number of new coal-fired power plants and continuing the ongoing environmental retrofits of existing plants. J. Ray’s product offerings, in contrast to B&W’s, are almost exclusively for new structures, leading to more volatile earnings trends. While business is now good for original equipment, J. Ray will explore for growth in areas that provide repeatable revenues. BWXT is a leader in nuclear operations, primarily for governmental sectors. BWXT is looking to expand its customer base and reach, as well as its product offerings. With the prospects of new commercial nuclear plants returning to America, we must determine the optimum strategy to combine BWXT’s expertise with B&W’s contacts and existing nuclear activities to best engage this renewing market.



J. Ray McDermott Backlog  
Dollars in Billions



BWXT Backlog  
Dollars in Billions

If growth is the common opportunity, probably the universal constraint is people. McDermott's workforce is second to none. Like most in the energy sector, however, it is aging, especially in our management ranks. With the growth initiatives that lie ahead, we will be challenged to attract enough talented individuals to position McDermott for its opportunities. Since our competition is in the same predicament, our managers must endeavor to keep our staff motivated, challenged and committed. Finally, we must prepare the next generation of leaders for McDermott. Succession planning will be a major focus throughout the organization.

After discussion of the predominant opportunities and constraints, it probably makes sense to include the wildcard. Under B&W's revised settlement, total payments of either \$375 million or \$955 million will be made by our company, of which \$350 million was paid on the February 22, 2006 effective date. Which total amount is ultimately paid will be determined by the status of the FAIR Act as of November 30, 2006. If legislation becomes binding law by that date, the amount is \$375 million. If the FAIR Act has not become law by then, we will be responsible for the larger amount. The rationale behind these contingent payments was that McDermott needed certainty that B&W would remain part of its future, but we also wanted to ensure that shareholders retained roughly the same economics as indicated under the draft legislation.

The United States Senate began consideration of the FAIR Act in February 2006. The legislation was never officially voted upon because it failed to overcome a procedural "budget point of order" brought forth by the bill's opponents, falling two votes short. While the bill's future is in doubt, the Senate Majority Leader has indicated his desire to bring the legislation back to the floor if the necessary votes can be obtained. For the asbestos impaired, for business and for our court system, the FAIR Act is far superior to the status quo. This legislation is needed, and I hope you will join me in voicing support.

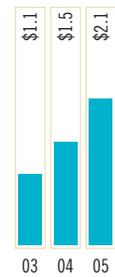
There are other opportunities and issues on the horizon as well, but overall this provides a fairly encompassing state of the business, discussing the major items affecting your company. The attached Form 10-K provides much more detail and information, particularly on McDermott's financial results, so I encourage you to review it fully.

It's my great honor to be the Chairman and Chief Executive Officer of McDermott International, Inc. Again, I want to thank the employees of the McDermott family for all their dedication and persistence throughout 2005. It's a result of their efforts that our horizon has improved.

Best regards,

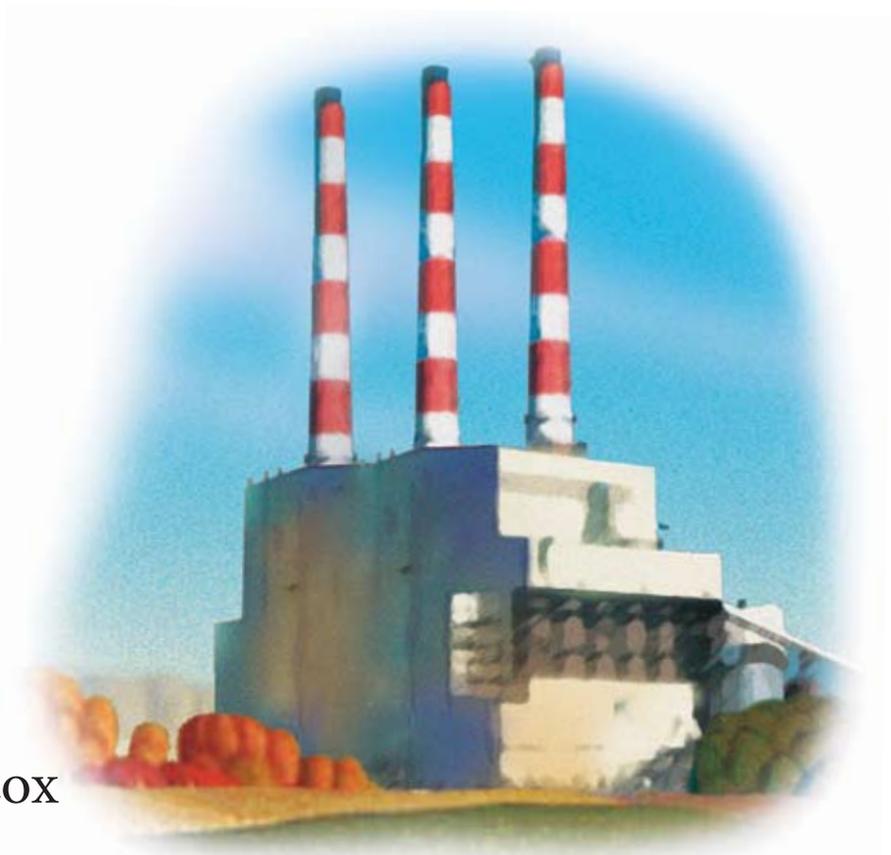


**Bruce W. Wilkinson**  
*Chairman of the Board and  
 Chief Executive Officer*



**Babcock & Wilcox Backlog**  
 Dollars in Billions

*"If growth is the common opportunity, probably the universal constraint is people. McDermott's workforce is second to none. Like most in the energy sector, however, it is aging...Succession planning will be a major focus throughout the organization."*



# Babcock & Wilcox

## Power Generation

**W**ith over 138 years of experience in the power generation industry, B&W is a leader in the design, supply, manufacture, service and construction of boilers and environmental equipment for utilities and power producers worldwide. B&W is known for its innovation, technical leadership and superior products and services.

As B&W prepared to implement its plan of reorganization, industry activity in the power market remained robust. While B&W recorded substantial restructuring charges in 2005, the company's underlying business performed well, and B&W ended the year with a record backlog, exceeding \$2 billion.

New awards in 2005 were bolstered by strong environmental equipment orders, as utilities proceeded to meet increasingly stringent clean air regulations. With increased interest in coal as an economical and clean fuel source, B&W had significantly higher new boiler proposal activity as well as new orders for power plant upgrades and retrofits, maintenance, boiler cleaning and replacement parts. Nuclear projects were augmented with a large Canadian award. New construction projects also remained strong – a testament to customers' confidence in B&W's experience and execution capabilities, design for constructability initiatives, and steady access to reliable field labor.

B&W's business success also paved the way for infrastructure investments. In 2005, B&W completed an expansion of its Chinese joint venture and modernized its Mississippi facility to improve manufacturing capabilities and reduce costs. B&W increased its research and development activities, focusing on emerging boiler technologies and traditional product efficiency improvements. Key areas of focus continue to be mercury and carbon dioxide removal solutions, and the development of the next generation of boiler technology using advanced designs and materials.

B&W's success was driven by the extensive knowledge and contributions of its employees. With turnover of less than half the industry average, B&W has become an "employer of choice" in a tight labor market and continues to maintain safety-focused operations.



### **B&W Environmental Equipment**

The Babcock & Wilcox Company is a world leader in developing technologies to use coal economically and cleanly for power generation. Our design for constructability initiatives have contributed to leadership positions for flue gas desulfurization systems (pictured above), selective catalytic reduction systems and coal-fired boilers throughout North America. B&W also maintains a solid parts and service business, including for the commercial nuclear market. We quite literally wrote the book: *Steam*, currently in its 41<sup>st</sup> edition.



# BWXT

## Government Operations

For over six decades, BWX Technologies, Inc. has been a major participant in the evolving nuclear industry – setting the standards for performance excellence. BWXT has been a guiding force in establishing the direction of nuclear power, with leading-edge technology and proven applications. As McDermott’s primary business in the government operations segment, BWXT maintains its leadership position by delivering quality products and services to the Nation’s most critical and complex nuclear programs.

The core business provides advanced nuclear innovations, and manufacturing and operational capabilities to U.S. government and commercial clients. The company also manages and operates Department of Energy (“DOE”) nuclear weapons complexes and national laboratories, maintaining national security with safe and secure performance.

BWXT achievements were substantial in 2005. The company was part of the winning team that secured the M&O contract for the Los Alamos National Laboratory. BWXT also received year-end awards in excess of \$410 million for the manufacture of nuclear components in support of U.S. defense programs. BWXT-led teams were awarded five-year contract extensions at both the Pantex Plant and the Y-12 National Security Complex. BWXT’s affiliate, Bechtel BWXT Idaho, LLC, was awarded the contract to manage and operate the Advanced Mixed Waste Treatment Plant in Idaho with a one-year contract extension. Construction of the Tritium Extraction Facility at the Savannah River Site was completed ahead of schedule and the Strategic Petroleum Reserve safely and securely conducted a drawdown of emergency petroleum for the U.S. and was named recipient of the prestigious *Malcolm Baldrige Quality Award*.

Looking ahead, the nuclear marketplace continues to change, giving rise to opportunities in business arenas that align with BWXT capabilities. Among those opportunities reside the re-emergence of commercial nuclear power and the restructuring of elements of the DOE’s environmental and nuclear defense operations, all of which offer the chance for further growth for BWXT.



### **BWXT Nuclear Equipment Division**

The BWXT Nuclear Equipment Division’s Mount Vernon Works (Indiana) and Barberton Plant (Ohio) are the sole remaining U.S. supplier in the design and manufacture of large, heavy nuclear components – vessels required for use by the commercial nuclear industry. Once repositioned with a large J-frame, this 190-ton pressure vessel can easily be moved with either of the 500-ton overhead cranes, which provide a 77-foot lifting height capacity.



# J. Ray McDermott

## Marine Construction

For as long as our customers have produced oil and gas offshore, J. Ray McDermott has been a leading marine construction services company. Today, J. Ray's facilities and marine vessels are strategically positioned in the major hydrocarbon basins: Americas, Asia Pacific, Caspian Sea and Middle East. Our primary services include the engineering, construction, procurement and installation of offshore platforms and pipelines required for field development and production.

During 2005, J. Ray continued the financial and operational turnaround it began three years ago. J. Ray's 2005 segment income of \$160 million was the highest level since before the turn of the century, while cash flow and liquidity were strong. Customers demonstrated renewed confidence in our project execution capabilities, evidenced by a year-end backlog of \$1.8 billion, over \$500 million higher than last year.

While financial results remain a priority, safety is essential in our industry. J. Ray's commitment to safety was rewarded in 2005 with the prestigious ExxonMobil Contractor of the Year Award. Our Jebel Ali and Batam Island facilities achieved over 10 million and 30 million man-hours, respectively, without a lost-time injury. In the United States, the Five Star Safety Award was presented to our Morgan City facility.

J. Ray continued building the foundation for the future with increased investments in organizational development. Among the initiatives were its launch of Project Execution University, formation of Compliance Leadership Teams and establishment of a global Welding Technology Council. To better serve our customers, J. Ray joined with Keppel FELS in forming a joint venture named FloaTEC to provide clients unbiased deepwater oil and gas engineering solutions.

In a year filled with storms, J. Ray employees regularly met the challenges. Looking ahead, industry experts agree that the world's thirst for energy will remain and that offshore production is an important component. J. Ray McDermott is strategically poised for this opportunity.



### West Azeri Topsides

Among the many 2005 accomplishments, J. Ray completed the West Azeri topsides for the ACG field development in the Caspian Sea. Constructed from facilities in Baku, these topsides weigh over 15 thousand tons and required more than five million man hours to complete. Under the direction of seasoned J. Ray leaders, local Azeri craftsmen were utilized for 85% of the project. Opportunities in this land-locked region will remain a focus of J. Ray going forward.

# Executive Management

## BOARD OF DIRECTORS

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### **Bruce W. Wilkinson**

*Chairman of the Board and  
Chief Executive Officer of  
McDermott International, Inc.*

### **Roger A. Brown<sup>2,3</sup>**

*Vice President, Strategic Initiatives,  
Smith International, Inc.*

### **Ronald C. Cambre<sup>2</sup>**

*Former Chairman of the Board and  
Chief Executive Officer,  
Newmont Mining Corporation*

### **Bruce DeMars<sup>1,3,4</sup>**

*Partner, RSD, LLC;  
Admiral, United States Navy (Retired)*

### **Joe B. Foster<sup>1</sup>**

*Former Chairman of the Board  
and Chief Executive Officer,  
Newfield Exploration Company;  
Former Interim Chairman of the Board,  
President and Chief Executive Officer,  
Baker Hughes Incorporated*

### **Robert W. Goldman<sup>1</sup>**

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

### **Robert L. Howard<sup>1</sup>**

*Former Vice President,  
Shell Oil Company*

### **Oliver D. Kingsley, Jr.<sup>2,3</sup>**

*Former President and  
Chief Operating Officer,  
Exelon Corporation*

### **D. Bradley McWilliams<sup>1,2</sup>**

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

### **Thomas C. Schivelbein<sup>1</sup>**

*Former President,  
Northrop Grumman Newport News*

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Governance Committee

<sup>4</sup> Lead Director

## OFFICERS OF MCDERMOTT INTERNATIONAL, INC. AND SUBSIDIARIES

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### 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 and  
General Counsel*

#### **Louis J. Sannino**

*Executive Vice President,  
Human Resources,  
Health, Safety and Environmental*

#### **James R. Easter**

*Vice President, Corporate Development  
and Strategic Planning*

#### **Thomas A. Henzler**

*Vice President and  
Corporate Compliance Officer*

#### **Liane K. Hinrichs**

*Corporate Secretary and  
Associate General Counsel*

#### **James C. Lewis**

*Vice President and Treasurer*

#### **John E. Roueche, III**

*Vice President, Investor Relations  
and Corporate Communications*

#### **Michael S. Taff**

*Vice President and Chief Accounting 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.*

#### **James S. Kulig**

*Vice President and General Manager,  
B&W Service Company*

#### **Michael G. Morash**

*Vice President and General Manager,  
B&W Construction Co., Inc.*

#### **Richard E. Reimels**

*President,  
Babcock & Wilcox Canada Ltd.*

#### **Marvin D. Sehn**

*Vice President and Controller*

### J. RAY MCDERMOTT

#### **Robert A. Deason**

*President and Chief Operating Officer*

#### **Hafez K. Aghili**

*Senior Vice President and General Manager,  
Middle East*

#### **Louis W. Burkart**

*Vice President, Controller/IT*

#### **John T. McCormack**

*Senior Vice President,  
Global Services/Engineering/Americas*

### **F. Rickey Ohrlein**

*Vice President,  
Special Projects*

### **William R. Robinson**

*Senior Vice President,  
Sales/Marketing/Strategy*

### **Steven W. Roll**

*Vice President and General Manager,  
Asia Pacific*

### **William L. Soester**

*Vice President, Engineering*

### BWX TECHNOLOGIES

#### **John A. Fees**

*President and Chief Operating Officer*

#### **David S. Black**

*Vice President and Controller*

#### **S. Robert Cochran**

*Vice President, Sales and Business Management*

#### **Douglas L. Garlock**

*Vice President, Commercial Operations,  
Nuclear Equipment Division*

#### **Winfred D. Nash**

*Vice President and General Manager,  
Nuclear Products Division*

#### **Rhonnice L. Smith**

*President and General Manager,  
BWXT Services, Inc.*

#### **J. Rod Woolsey**

*Vice President and General Manager,  
Nuclear Equipment Division*

## SHAREHOLDER INFORMATION

### TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.  
P.O. Box 43069  
Providence, Rhode Island  
02940-3069

### TRUSTEES AND AGENTS

The Bank of New York  
101 Barclay Street  
New York, New York 10286

- J. Ray McDermott, S.A.  
11% Senior Secured Notes  
Due 2013

JPMorgan Chase Bank  
600 Travis Street  
Suite 1150  
Houston, Texas 77002

- 6.80% Pollution Revenue Bonds,  
Series A Due February 1, 2009

### INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2005

PricewaterhouseCoopers LLP  
1201 Louisiana  
Suite 2900  
Houston, Texas 77002  
(713) 356-4000

### ANNUAL MEETING

The Annual Meeting of the Shareholders of McDermott International, Inc., for the year ended December 31, 2005, will be held at 757 N. Eldridge Parkway, 14<sup>th</sup> floor, Houston, Texas, on Wednesday, May 3, 2006, at 9:30 a.m. local time.

### INVESTOR CONTACTS

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

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

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

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

### STOCKHOLDER INQUIRIES

Inquiries regarding stockholder account matters should be addressed to:

Computershare Trust Company, N.A.  
P.O. Box 43069  
Providence, Rhode Island  
02940-3069  
(877) 282-1168

### 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 or McDermott refers to the consolidated enterprise. The use of such terms as company, division, organization, joint venture, we, us, our or it, when referring either to McDermott or to its subsidiaries and affiliates, either individually or collectively, is only for convenience and is not intended to describe legal relationships. The segments, units, divisions and groups of McDermott described in this report are not corporate entities. For a listing of McDermott International, Inc.'s significant subsidiaries, please refer to its annual report on Form 10-K for the year ended December 31, 2005.

### CAUTION CONCERNING

#### FORWARD-LOOKING STATEMENTS

This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. McDermott cautions that statements in this document which are forward looking and which provide other than historical information, including statements relating to our backlog, the growth and sustainability of the demand for energy, the prospects of the oil & gas, nuclear and coal markets, our position to assist customers, our optimism about the future and the ability of B&W to contribute in 2006, the focus and goals of our business going forward, the growth prospects and opportunities of J. Ray, B&W and BWXT, the position of J. Ray, B&W and BWXT to capitalize on those opportunities, and the stability of our future and our ability to manage challenges, involve uncertainties that may impact the company's future results of operations. Although McDermott's management believes that the expectations reflected in those forward-looking statements are reasonable, McDermott 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 uncertainties and risks, including, but not limited to, risks of declines in the price of oil and natural gas and other adverse changes in the industries in which we operate, an inability to anticipate or manage our challenges and difficulties reconsolidating B&W. If one or more of these risks materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected. For a more complete discussion of information about these risk factors, see McDermott's annual and quarterly reports filed with the Securities and Exchange Commission.

### CORPORATE GOVERNANCE

McDermott has posted to its website in the Investor Relations section, [www.mcdermott.com](http://www.mcdermott.com), important information on its corporate governance. Information included is McDermott's Corporate Governance Guidelines, Code of Ethics for the Chief Executive Officer and other Senior Financial Officers, and charters for the Audit, Governance and Compensation Committees of the Board of Directors. Information on McDermott's independent board members and on how interested parties can contact them is also available on the website.



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