

MCDERMOTT INTERNATIONAL INC
Form 10-K/A
March 27, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

F O R M 1 0 – K/A

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-08430

McDERMOTT INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

| | |
|-----------------------------------------------------------------------------------------|----------------------------------------------------|
| REPUBLIC OF PANAMA (State or Other Jurisdiction of Incorporation or Organization) | 72-0593134 (I.R.S. Employer Identification No.) |
| 777 N. ELDRIDGE PKWY. HOUSTON, TEXAS (Address of Principal Executive Offices) | 77079 (Zip Code) |

Registrant's Telephone Number, Including Area Code: (281) 870-5901

Securities Registered Pursuant to Section 12(b) of the Act:

| | |
|--------------------------------|----------------------------------------------|
| Title of each class | Name of each Exchange on which registered |
| Common Stock, \$1.00 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the

Exchange Act.

Yes

No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's common stock held by nonaffiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter (based on the closing sales price on the New York Stock Exchange on June 29, 2007) was approximately \$9.3 billion.

The number of shares of the registrant's common stock outstanding at January 31, 2008 was 225,743,989.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with the registrant's 2008 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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Explanatory Note

We are filing this Amendment No. 1 to our annual report on Form 10-K for the year ended December 31, 2007 (the “2007 Form 10-K”) solely to provide Schedule I – “Condensed Financial Information of Registrant” in Item 15 of Part IV thereof. This amendment is being filed in accordance with General Instruction A(4) to Form 10-K, which permits financial statement schedules to be filed pursuant to an amendment to an annual report on Form 10-K not later than 30 days after the applicable due date of the Form 10-K. This amendment also includes currently dated exhibits 23.1, 23.2, 31.1, 31.2, 32.1 and 32.2, as well as a new Exhibit 99 which is being filed to comply with certain securities regulations of the Republic of Panama (our jurisdiction of incorporation). Except for the addition of the financial statements schedule and the new Exhibit 99, this amendment does not change or update the disclosures set forth in the 2007 Form 10-K as originally filed and does not otherwise reflect events occurring after the original filing of the 2007 Form 10-K.

Schedule I – “Condensed Financial Information of Registrant” is required pursuant to Regulation S-X, Article 5, which requires condensed financial information of the registrant to be filed when the restricted net assets of consolidated subsidiaries exceeds 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. See Note 1 to our condensed consolidated financial information included in this report for further discussion of the restricted net assets.

P A R T I V

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Except with respect to Schedule I and Exhibits 23.1, 23.2, 31.1, 31.2, 32.1, 32.2 and 99, the following documents were either incorporated by reference or included in the previously filed 2007 Form 10-K on February 27, 2008:

1. CONSOLIDATED FINANCIAL STATEMENTS

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2007 and 2006
- Consolidated Statements of Income for the Years Ended December 31, 2007, 2006 and 2005
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2007, 2006 and 2005
- Consolidated Statements of Stockholders' Equity (Deficit) for the Years Ended December 31, 2007, 2006 and 2005
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005
- Notes to Consolidated Financial Statements for the Years Ended December 31, 2007, 2006 and 2005

2. CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

Schedule I is filed with this amendment. All other schedules have been omitted because they are not required or the information is included in the previously filed 2007 Form 10-K on February 27, 2008.

3. EXHIBITS

| Exhibit Number | Description |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 | McDermott International, Inc.'s Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to McDermott International, Inc.'s Quarterly Report on Form |

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10-Q for the quarter ended June 30, 2007 (File No. 1-08430)).

- 3.2 McDermott International, Inc.'s Amended and Restated By-laws (incorporated by reference to Exhibit 3.1 to McDermott International, Inc.'s Current Report on Form 8-K dated May 3, 2006 (File No. 1-08430)).
- 3.3 Amended and Restated Certificate of Designation of Series D Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No. 1-08430)).

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- 4.1 Revolving Credit Agreement dated as of December 9, 2003 among BWX Technologies, Inc., as borrower, certain subsidiaries of BWX Technologies, Inc. as guarantors, the initial lenders named therein, Credit Lyonnais New York Branch, as administrative agent, and Credit Lyonnais Securities, as lead arranger and sole bookrunner (incorporated by reference to Exhibit 4.8 of McDermott International, Inc.'s Annual Report on Form 10-K, as amended, for the year ended December 31, 2003 (File No. 1-08430)).
- 4.2 First Amendment, dated as of March 18, 2005, to the Revolving Credit Agreement dated as of December 9, 2003 among BWX Technologies, Inc., as borrower, certain subsidiaries of BWX Technologies, Inc. as guarantors, the initial lenders named therein, Calyon, New York Branch (formerly known as Credit Lyonnais New York Branch), as administrative agent and lender, as amended (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated March 18, 2005 (File No. 1-08430)).
- 4.3 Second Amendment, dated as of November 7, 2005, to the Revolving Credit Agreement dated as of December 9, 2003 among BWX Technologies, Inc., as borrower, certain subsidiaries of BWX Technologies, Inc. as guarantors, the initial lenders named therein, Calyon, New York Branch (formerly known as Credit Lyonnais New York Branch), as administrative agent and lender, as amended (incorporated by reference to Exhibit 4.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (File No. 1-08430)).
- 4.4 Third Amendment, dated as of December 22, 2006, to the Revolving Credit Agreement dated as of December 9, 2003 among BWX Technologies, Inc., as borrower, certain subsidiaries of BWX Technologies, Inc. as guarantors, the initial lenders named therein, Calyon, New York Branch (formerly known as Credit Lyonnais New York Branch), as administrative agent and lender, as amended.
- 4.5 Fourth Amendment, dated as of March 29, 2007, to the Revolving Credit Agreement dated as of December 9, 2003 among BWX Technologies, Inc., as borrower, certain subsidiaries of BWX Technologies, Inc. as guarantors, the initial lenders named therein, Calyon, New York Branch (formerly known as Credit Lyonnais New York Branch), as administrative agent and lender, as amended (incorporated by reference to Exhibit 4.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 1-08430)).
- 4.6 Fifth Amendment, dated as of October 29, 2007, to the Revolving Credit Agreement dated as of December 9, 2003 among BWX Technologies, Inc., as borrower, certain subsidiaries of BWX Technologies, Inc. as guarantors, the initial lenders named therein, Calyon, New York Branch (formerly known as Credit Lyonnais New York Branch), as administrative agent and lender, as amended (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated October 29, 2007 (File No. 1-08430)).

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- 4.7 Credit Agreement dated as of June 6, 2006, by and among J. Ray McDermott, S.A., credit lenders, synthetic investors and issuers party thereto, Credit Suisse, Cayman Islands Branch, Bank of America, N.A., Calyon New York Branch, Fortis Capital Corp. and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated June 6, 2006 (File No. 1-08430)).
- 4.8 First Amendment to Credit Agreement, dated as of August 4, 2006, by and among, J. Ray McDermott, S.A., certain guarantors thereto, certain lenders and issuers party thereto, Credit Suisse, Cayman Islands Branch, as administrative agent and collateral agent, and other agents party thereto.
- 4.9 Second Amendment to Credit Agreement, dated as of December 1, 2006, by and among, J. Ray McDermott, S.A., certain guarantors thereto, certain lenders and issuers party thereto, Credit Suisse, Cayman Islands Branch, as administrative agent and collateral agent, and other agents party thereto.
- 4.10 Third Amendment to Credit Agreement, dated as of July 9, 2007, by and among, J. Ray McDermott, S.A., certain guarantors thereto, certain lenders and issuers party thereto, Credit Suisse, Cayman Islands Branch, as administrative agent and collateral agent, and other agents party thereto (incorporated by reference to Exhibit 4.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 1-08430)).
- 4.11 Fourth Amendment to Credit Agreement, dated as of July 20, 2007, by and among, J. Ray McDermott, S.A., certain guarantors thereto, certain lenders and issuers party thereto, Credit Suisse, Cayman Islands Branch, as administrative agent and collateral agent, and other agents party thereto (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Current Report on Form 8-K dated July 20, 2007 (File No. 1-08430)).
- 4.12 Pledge and Security Agreement by J. Ray McDermott, S.A. and certain of its subsidiaries in favor of Credit Suisse, Cayman Islands Branch, as Administrative Agent and Collateral Agent, dated as of June 6, 2006 (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Current Report on Form 8-K dated June 6, 2006 (File No. 1-08430)).
- 4.13 Credit Agreement dated as of February 22, 2006, by and among The Babcock & Wilcox Company, certain lenders, synthetic investors and issuers party thereto, Credit Suisse, Cayman Islands Branch, Credit Suisse Securities (USA) LLC, JPMorgan Chase Bank, National Association, Wachovia Bank, National Association and The Bank of Nova Scotia (incorporated by reference to Exhibit 10.4 to McDermott International, Inc.'s Current Report on Form 8-K dated February 21, 2006 (File No. 1-08430)).
- 4.14 First Amendment to Credit Agreement, dated as of July 9, 2007, by and among, The Babcock & Wilcox Company, certain guarantors thereto, certain lenders and issuers party thereto, Credit Suisse, Cayman Islands Branch, as administrative agent and collateral agent, and other agents party thereto (incorporated by reference to Exhibit 4.3 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (File No. 1-08430)).

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- 4.15 Second Amendment to Credit Agreement, dated as of July 20, 2007, by and among, The Babcock & Wilcox Company, certain guarantors thereto, certain lenders and issuers party thereto, Credit Suisse, Cayman Islands Branch, as administrative agent and collateral agent, and other agents party thereto (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated July 20, 2007 (File No. 1-08430)).
- 4.16 Pledge and Security Agreement by The Babcock & Wilcox Company and certain of its subsidiaries in favor of Credit Suisse, Cayman Islands Branch, as Administrative Agent and Collateral Agent, dated as of February 22, 2006 (incorporated by reference to Exhibit 10.5 to McDermott International, Inc.'s Current Report on Form 8-K dated February 21, 2006 (File No. 1-08430)).

We and certain of our consolidated subsidiaries are parties to other debt instruments under which the total amount of securities authorized does not exceed 10% of our total consolidated assets. Pursuant to paragraph 4(iii)(A) of Item 601 (b) of Regulation S-K, we agree to furnish a copy of those instruments to the Commission on request.

- 10.1* McDermott International, Inc.'s Executive Incentive Compensation Plan (incorporated by reference to Appendix C to McDermott International, Inc.'s Proxy Statement for its Annual Meeting of Stockholders held on May 3, 2006, as filed with the Commission under a Schedule 14A (File No. 1-08430)).
- 10.2* McDermott International, Inc.'s 1992 Senior Management Stock Option Plan (incorporated by reference to Exhibit 10 to McDermott International, Inc.'s Annual Report on Form 10-K/A for fiscal year ended March 31, 1994 filed with the Commission on June 27, 1994 (File No. 1-08430)).
- 10.3* McDermott International, Inc.'s Restated 1996 Officer Long-Term Incentive Plan, as amended (incorporated by reference to Appendix B to McDermott International, Inc.'s Proxy Statement for its Annual Meeting of Stockholders held on September 2, 1997, as filed with the Commission under a Schedule 14A (File No. 1-08430)).
- 10.4* McDermott International, Inc.'s 1997 Director Stock Program (incorporated by reference to Appendix A to McDermott International, Inc.'s Proxy Statement for its Annual Meeting of Stockholders held on September 2, 1997, as filed with the Commission under a Schedule 14A (File No. 1-08430)).
- 10.5* McDermott International, Inc.'s Amended and Restated 2001 Directors & Officers Long-Term Incentive Plan (incorporated by reference to Appendix B to McDermott International, Inc.'s Proxy Statement for its Annual Meeting of Stockholders held on May 3, 2006, as filed with the Commission under a Schedule 14A (File No. 1-08430)).
- 10.6* McDermott International, Inc. Supplemental Executive Retirement Plan, Effective January 1, 2005 (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Current Report on Form 8-K dated December 31, 2004 (File No. 1-08430)).

10.7*

Change in Control Agreement dated June 30, 2004 between McDermott International, Inc. and John A. Fees (incorporated by reference to Exhibit 10.5 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 (File No. 1-08430)).

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- 10.8* Change in Control Agreement dated March 30, 2005 between McDermott International, Inc. and Bruce W. Wilkinson (incorporated by reference to Exhibit 10.20 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-08430)).
- 10.9* Change in Control Agreement dated March 30, 2005 between McDermott International, Inc. and Robert A. Deason (incorporated by reference to Exhibit 10.21 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-08430)).
- 10.10* Change in Control Agreement dated March 30, 2005 between McDermott International, Inc. and Francis S. Kalman (incorporated by reference to Exhibit 10.22 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-08430)).
- 10.11* Change in Control Agreement dated March 30, 2005 between McDermott International, Inc. and John T. Nesser, III (incorporated by reference to Exhibit 10.23 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-08430)).
- 10.12* Change in Control Agreement dated March 30, 2005 between McDermott International, Inc. and Louis J. Sannino (incorporated by reference to Exhibit 10.24 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004) (File No. 1-08430)).
- 10.13* Change in Control Agreement, dated as of March 29, 2007, between McDermott International, Inc. and Michael S. Taff (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated March 26, 2007 (File No. 1-08430)).
- 10.14* Arrangement with Chief Financial Officer (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated March 26, 2007 (File No. 1-08430)).
- 10.15* McDermott International Inc. Executive Compensation Incentive Plan 2007 performance goals (incorporated by reference to McDermott International, Inc.'s Current Report on Form 8-K dated February 26, 2007 (File No. 1-08430)).
- 10.16* McDermott International, Inc. Executive Compensation Incentive Plan 2007 individual goals (incorporated by reference to Part II, Item 5 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 1-08430)).
- 10.17* Notice of Grant (Stock Options and Deferred Stock Units) (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K filed May 18, 2005 (File No. 1-08430)).
- 10.18* Form of 2001 LTIP Stock Option Grant Agreement (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Current Report on Form 8-K filed May 18, 2005 (File No. 1-08430)).
- 10.19* Form of 2001 LTIP Deferred Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.3 to McDermott International, Inc.'s Current Report on Form 8-K dated May 12, 2005 (File No. 1-08430)).

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- 10.20* Form of 2001 LTIP Stock Option Grant Agreement to Nonemployee Directors (incorporated by reference to Exhibit 10.5 to McDermott International, Inc.'s Current Report on Form 8-K dated May 12, 2005 (File No. 1-08430)).
- 10.21* Form of 2001 LTIP Restricted Stock Grant Agreement to Nonemployee Directors (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated May 3, 2006 (File No. 1-08430)).
- 10.22* Form of 2001 LTIP 2006 Performance Shares Grant Agreement (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Current Report on Form 8-K dated May 3, 2006 (File No. 1-08430)).
- 10.23* Form of 2001 LTIP 2007 Performance Shares Grant Agreement (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated April 30, 2007 (File No. 1-08430)).
- 10.24* Summary of Arrangement with Named Executive Officer (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (File No. 1-08430)).
- 10.25* Separation Agreement between McDermott Incorporated and Francis S. Kalman dated February 8, 2008 (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K dated February 14, 2008 (File No. 1-08430)).
- 10.26* Form of 2001 LTIP 2008 Performance Shares Grant Agreement.
- 10.27* Form of 2001 LTIP 2008 Restricted Stock Grant Agreement.
- 12.1 Ratio of Earnings to Fixed Charges.
- 16.1 Letter from PricewaterhouseCoopers (incorporated by reference to Exhibit 16.1 to McDermott International, Inc.'s Current Report on Form 8-K dated March 27, 2006 (File No. 1-08430)).
- 21.1 Significant Subsidiaries of the Registrant.
- 23.1 Consent of PricewaterhouseCoopers LLP.
- 23.2 Consent of Deloitte & Touche LLP.
- 31.1 Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer.
- 31.2 Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer.
- 32.1 Section 1350 certification of Chief Executive Officer.
- 32.2 Section 1350 certification of Chief Financial Officer.

*Management contract or compensatory plan or arrangement.

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MCDERMOTT INTERNATIONAL, INC.

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| All schedules other than the above have been omitted because they are not required or the information is included in the previously filed Form 10-K on February 27, 2008. | |
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of McDermott International, Inc.:

We have audited the consolidated financial statements of McDermott International, Inc. and subsidiaries (the “Company”), and the retrospective adjustments to the 2005 consolidated financial statements as of December 31, 2007 and 2006, and for each of the two years in the period ended December 31, 2007, and the Company’s internal control over financial reporting as of December 31, 2007, and have issued our reports thereon dated February 27, 2008; such report has previously been filed as part of the Company’s annual Report on Form 10-K for the year ended December 31, 2007 (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the emergence of a wholly owned subsidiary of McDermott International, Inc. from Chapter 11 of the U.S. Bankruptcy Code and the adoption of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, as of January 1, 2007, Statement of Financial Accounting Standard (“SFAS”) No. 123(R), Share-Based Payment, as of January 1, 2006 and SFAS No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, as of December 31, 2006). Our audits also included the financial statement schedules of the Company listed in the accompanying index of this Form 10-K/A as Condensed Financial Information of Registrant. These financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

The financial statement schedule of the Company listed in the accompanying index of this Form 10-K/A as Condensed Financial Information of Registrant as of December 31, 2005, and for the year ended December 31, 2005, before the effects of the retrospective adjustments for the discontinued operations in 2006, the change in accounting in 2007 for drydocking costs, and the two-for-one and three-for-two common stock splits in 2007 and 2006, respectively, was audited by other auditors whose report, dated February 28, 2006, expressed an unqualified opinion on the schedule. We have audited the retrospective adjustments to the 2005 consolidated financial statements of the Company for the discontinued operations in 2006, the change in accounting in 2007 for drydocking costs, and the two-for-one and three-for-two stock splits in 2007 and 2006, respectively, and have issued our report thereon dated February 27, 2008. In our opinion, the retrospective adjustments to the accompanying 2005 financial statement schedule, when considered in relation to the retrospective adjustments to the basic 2005 consolidated financial statements, have been properly applied. However, we were not engaged to audit, review or apply any procedures to the 2005 financial statement schedule of the Company other than with respect to the retrospective adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2005 financial statement schedule taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 27, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareholders of McDermott International, Inc.

Our audits of the consolidated financial statements for the year ended December 31, 2005, before the effects of the adjustments to retrospectively reflect the change in accounting for drydock costs described in Note 1 to the consolidated financial statements, the adjustments to retrospectively reflect the discontinued operations described in Note 3 to the consolidated financial statements and the adjustments to retrospectively reflect the three-for-two and two-for-one stock splits described in Note 9 to the consolidated financial statements, referred to in our report dated February 28, 2006 appearing in the 2007 Annual Report on Form 10-K of McDermott International, Inc. also included an audit of the "Condensed Financial Information of Registrant" financial statement schedule information for the year ended December 31, 2005, before the adjustments to retrospectively reflect the drydock costs described in Note 1 to the schedule, the adjustments to retrospectively reflect the discontinued operations described in Note 4 to the schedule and the adjustments to retrospectively reflect the three-for-two and two-for-one stock splits described in Note 5 to the schedule. The 2005 "Condensed Financial Information of Registrant" financial statement schedule information before the effects of the adjustments to retrospectively reflect the drydock costs, discontinued operations and the three-for-two and two-for-one stock splits referred to above is not presented herein. In our opinion, the 2005 "Condensed Financial Information of Registrant" financial statement schedule information, before the effects of the adjustments to retrospectively reflect the change in accounting for drydock costs described in Note 1, the adjustments to retrospectively reflect the discontinued operations described in Note 4 and the adjustments to retrospectively reflect the three-for-two and two-for-one stock splits described in Note 5, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements referred to above.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect the change in accounting for drydock costs described in Note 1, the adjustments to retrospectively reflect the discontinued operations described in Note 4 and the adjustments to retrospectively reflect the three-for-two and two-for-one stock splits described in Note 5 and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

As discussed in Notes 1, 20 and 22 to the consolidated financial statements included in the 2005 Form 10-K (not separately presented herein), on February 22, 2000, The Babcock & Wilcox Company ("B&W"), a wholly owned subsidiary of the Company, filed a voluntary petition with the U.S. Bankruptcy Court to reorganize under Chapter 11 of the U.S. Bankruptcy Code. On January 17, 2006 the United States District Court for the Eastern District of Louisiana issued an order confirming B&W's Chapter 11 Joint Plan of Reorganization and associated settlement agreement and on February 22, 2006, B&W's Plan and associated settlement agreement became effective and B&W emerged from Chapter 11.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
February 28, 2006

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Schedule I

McDERMOTT INTERNATIONAL, INC.
(PARENT COMPANY ONLY)
CONDENSED BALANCE SHEETS

December 31,
2007 2006
(In thousands)

| ASSETS | | |
|------------------------------------------------------------|---------------------|-------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 51 | \$ 1,293 |
| Restricted cash and cash equivalents | 1,545 | 1,006 |
| Accounts receivable – other | 145 | 213 |
| Accounts receivable from subsidiaries | 179,159 | 42,198 |
| Other current assets | 221 | 372 |
| Total Current Assets | 181,121 | 45,082 |
| Investments in Subsidiaries and Other Investees, at Equity | 1,049,187 | 574,020 |
| Notes Receivable from Subsidiaries | 50 | 50 |
| Property, Plant and Equipment, at Cost: | | |
| Buildings | 5 | 5 |
| Machinery and equipment | 61 | 61 |
| | 66 | 66 |
| Less accumulated depreciation | 64 | 64 |
| Net Property, Plant and Equipment | 2 | 2 |
| Investments in Debt Securities | 31,066 | 33,201 |
| Other Assets | 28 | 41 |
| TOTAL | \$ 1,261,454 | \$ 652,396 |

See accompanying notes to condensed financial information.

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Schedule I (continued)

McDERMOTT INTERNATIONAL, INC.
(PARENT COMPANY ONLY)
CONDENSED BALANCE SHEETS

December 31,
2007 2006
(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|-----------------------------------------------------------------------------------------|---------------------|-------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 76 | \$ 361 |
| Accrued liabilities – other | 1,437 | 1,063 |
| Income taxes payable | 1,600 | 4,300 |
| Total Current Liabilities | 3,113 | 5,724 |
| Notes Payable to Subsidiaries | 7,000 | 11,824 |
| Accounts Payable to Subsidiaries | 82,196 | 69,905 |
| Negative Investments in Subsidiaries, at Equity, net of Subordinated Note to Subsidiary | - | 112,648 |
| Other Liabilities | 2,140 | 9,194 |
| Commitments and Contingencies | | |
| Stockholders' Equity: | | |
| Common stock | 231,723 | 227,795 |
| Capital in excess of par value | 1,145,829 | 1,100,384 |
| Accumulated earnings (deficit) | 135,289 | (458,886) |
| Treasury stock | (63,903) | (60,581) |
| Accumulated other comprehensive loss | (281,933) | (365,611) |
| Total Stockholders' Equity | 1,167,005 | 443,101 |
| TOTAL | \$ 1,261,454 | \$ 652,396 |

See accompanying notes to condensed financial information.

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Schedule I (continued)

McDERMOTT INTERNATIONAL, INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF INCOME

| | Year Ended December 31, | | |
|-----------------------------------------------------------------------------|-------------------------|-------------------|-------------------|
| | 2007 | 2006 | 2005 |
| (In thousands) | | | |
| Costs and Expenses: | | | |
| Cost of operations | \$ 17 | \$ (1,517) | \$ (8,818) |
| Gains on settlement of pension plan | - | - | (1,390) |
| Selling, general and administrative expenses | 22,248 | 14,520 | 18,476 |
| | 22,265 | 13,003 | 8,268 |
| Equity in Income of Subsidiaries and Other Investees | 633,296 | 345,081 | 213,962 |
| Operating Income | 611,031 | 332,078 | 205,694 |
| Other Income (Expense): | | | |
| Interest income | 1,248 | 1,752 | 1,332 |
| Interest expense | (5,216) | (4,905) | (3,608) |
| Loss on Babcock & Wilcox Power Generation Group, Inc. bankruptcy settlement | - | - | (430) |
| Other expense – net | 1,006 | 4,586 | 1,000 |
| | (2,962) | 1,433 | (1,706) |
| Income before Provision for (Benefit from) Income Taxes | 608,069 | 333,511 | 203,988 |
| Provision for (Benefit from) Income Taxes | 241 | 2,996 | (1,699) |
| Net Income | \$ 607,828 | \$ 330,515 | \$ 205,687 |

See accompanying notes to condensed financial information.

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Schedule I (continued)

MCDERMOTT INTERNATIONAL, INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

| | Year Ended December 31, | | |
|---------------------------------------------------------------------------------|-------------------------|------------|------------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| Net Income | \$ 607,828 | \$ 330,515 | \$ 205,687 |
| Other Comprehensive Income (Loss): | | | |
| Equity in other comprehensive income (loss) of subsidiaries and other investees | 83,053 | 167,776 | (93,454) |
| Unrecognized gains on benefit obligations: | | | |
| Amortization of gains included in net income | (9) | - | - |
| Minimum pension liability adjustments | - | 35 | 13 |
| Unrealized gains on investments: | | | |
| Unrealized gains arising during the period | 635 | 636 | 115 |
| Reclassification adjustment for net gains included in net income | (1) | - | - |
| Other Comprehensive Income (Loss) | 83,678 | 168,447 | (93,326) |
| Comprehensive Income | \$ 691,506 | \$ 498,962 | \$ 112,361 |

See accompanying notes to condensed financial information.

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Schedule I (continued)

McDERMOTT INTERNATIONAL, INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | | |
|-----------------------------------------------------------------------------|-------------------------|-----------------|-----------------|
| | 2007 | 2006 | 2005 |
| (In thousands) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net Income | \$ 607,828 | \$ 330,515 | \$ 205,687 |
| Non-cash items included in net income: | | | |
| Depreciation and amortization | 1 | 742 | 1,047 |
| Equity in income of subsidiaries and other investees, net of dividends | (633,296) | (222,427) | (213,712) |
| Provision for deferred income taxes | (240) | - | - |
| Loss on Babcock & Wilcox Power Generation Group, Inc. bankruptcy settlement | - | - | 430 |
| Other, net | 28,598 | 18,035 | 3,985 |
| Changes in assets and liabilities: | | | |
| Accounts and notes receivable | (136,893) | 8,736 | 32,101 |
| Accounts payable | 12,006 | (130,187) | (63,848) |
| Notes payable to subsidiaries | (4,824) | (49,937) | (1,650) |
| Income taxes | (2,460) | 2,940 | (1,699) |
| Other, net | (6,517) | 6,913 | (403) |
| NET CASH USED IN OPERATING ACTIVITIES | (135,797) | (34,670) | (38,062) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Increase in restricted cash and cash equivalents | (539) | (1,006) | - |
| Net (increase) decrease in available-for-sale securities | 4,113 | 6,496 | (1,908) |
| Investments in equity investees | (1) | (355,016) | - |
| Return of capital from equity investees | 115,759 | 249,998 | - |
| Increase (decrease) in loans to subsidiaries | - | 119,234 | (28,000) |
| Other, net | - | (3,440) | (857) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 119,332 | 16,266 | (30,765) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Issuance of common stock | 15,219 | 19,647 | 60,951 |
| Other, net | 4 | (50) | 2,869 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 15,223 | 19,597 | 63,820 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,242) | 1,193 | (5,007) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 1,293 | 100 | 5,107 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 51 | \$ 1,293 | \$ 100 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | | |
| Cash paid during the period for: | | | |
| Interest, including intercompany interest (net of amount capitalized) | \$ 5,216 | \$ 4,905 | \$ 3,666 |
| Income taxes (net of refunds) | \$ - | \$ 56 | \$ - |

See accompanying notes to condensed financial information.

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Schedule I (continued)

McDERMOTT INTERNATIONAL, INC.
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL INFORMATION
DECEMBER 31, 2007

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial statements have been prepared to present the uncon-solidated financial position, results of operations and cash flows of McDermott International, Inc. (Parent Company Only). Investments in subsidiaries and other investees are stated under the equity basis of accounting, which is at cost plus equity in undistributed earnings from date of acquisition. These Parent Company Only financial statements should be read in conjunction with McDermott International, Inc.'s consolidated financial statements filed in the Annual Report on Form 10-K.

Effective January 1, 2007 and pursuant to Financial Accounting Standards Board ("FASB") Staff Position ("FSP") AUG AIR-1, "Accounting for Planned Major Maintenance Activities," our consolidated subsidiaries changed their accounting policy from the accrue-in-advance method to the deferral method. Under the deferral method, drydocking costs are recognized as a prepaid asset when incurred, and the costs are amortized over the period of time between drydockings, generally three to five years. This Staff Position requires that all periods presented in our consolidated financial statements reflect the period-specific adjustments of applying the new accounting principle. As a result of applying this change, we have restated our consolidated balance sheet at January 1, 2006 to reflect an increase of approximately \$66.5 million to both investments in subsidiaries and other investees, at equity and stockholders' equity. Additionally, we have restated our consolidated statements of income for the years ended December 31, 2006 and 2005 to reflect an increase (decrease) in our equity in income of subsidiaries and other investees of approximately \$(11.8) million and \$7.7 million, respectively.

Certain of our subsidiaries are restricted in their ability to transfer funds to McDermott International, Inc. ("MII"). Such restrictions principally arise from debt covenants, insurance regulations, national currency controls and the existence of minority shareholders. We refer to the proportionate share of net assets, after intercompany eliminations, that may not be transferred to MII as a result of these restrictions as "restricted net assets." At December 31, 2007, the restricted net assets of our consolidated subsidiaries were approximately \$596 million.

NOTE 2 - CONTINGENCIES

As of December 31, 2007, MII had outstanding performance guarantees for two contracts executed by one of Babcock & Wilcox Power Generation Group, Inc.'s (B&W PGG") Canadian subsidiaries. The total contract value of these projects was approximately \$300 million, and the warranty periods extend to the years 2023 and 2024. These projects have also been completed and are in the warranty periods.

Additionally, as of December 31, 2007, MII had an outstanding performance guarantee for a contract executed by B&W PGG with TXU Corp. The total contract value of this project is approximately \$277 million, and the warranty period is expected to expire during or before 2014.

Also, as of December 31, 2007, MII had an outstanding performance guarantee for an operating and management contract executed by one of B&W PGG's subsidiaries. The original contract was entered into in 1989 and will expire in September 2009. B&W PGG is also a guarantor on this contract. The estimated revenues subject to the guarantee are approximately \$30 million per year. In June 2007, the contract was extended for two consecutive ten year periods, with some opt out provisions, and the full renewal of the contract will occur in 2009.

MII has agreed to indemnify certain surety companies for obligations of various subsidiaries of MII under surety bonds issued to meet various contracting and statutory requirements. As of December 31, 2007, the aggregate outstanding amount of surety bonds that were guaranteed by MII and issued in connection with the business operations of its subsidiaries was approximately \$8.0 million.

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One of B&W PGG's Canadian subsidiaries has received notice of a possible warranty claim on one of its projects on a contract executed in 1998. This situation relates to technical issues concerning components associated with nuclear steam generators. Data collection and analysis, which can only be performed at specific time periods when the power plant is scheduled to be off-line for maintenance, is continuing. The next outage of this facility is scheduled for the spring of 2008 when additional testing will be performed. These tests require detailed engineering study and comprehensive analysis. This project included a limited-term performance bond totaling approximately \$140 million for which MII entered into an indemnity arrangement with the surety underwriters. At this time, B&W PGG's subsidiary continues to analyze the facts and circumstances surrounding this issue. It is possible that B&W PGG's subsidiary may incur warranty costs in excess of amounts provided for as of December 31, 2007. It is also possible that a claim could be initiated by the B&W PGG subsidiary's customer against the surety underwriter should certain events occur. If such a claim were successful, the surety could seek to recover from B&W PGG's subsidiary the costs incurred in satisfying the customer claim. If the surety seeks recovery from B&W PGG's subsidiary, we believe that B&W PGG's subsidiary would have adequate liquidity to satisfy its obligations. However, if claims are made by the surety against B&W PGG's subsidiary, and B&W PGG's subsidiary is unable to satisfy its obligations, MII could ultimately have to satisfy any claims. This surety bond is not included in our disclosures above as the project is deemed complete and in the warranty phase. In addition, The Babcock & Wilcox Company has provided a parent company guarantee to the customer of the B&W PGG subsidiary for contract performance associated with this project.

NOTE 3 - DIVIDENDS RECEIVED

MII received dividends from its consolidated subsidiaries of \$122.7 million and \$0.3 million for the years ended December 31, 2006 and 2005, respectively. No such dividends were received during the year ended December 31, 2007.

NOTE 4 – DISCONTINUED OPERATIONS

In April 2006, J. Ray McDermott, S.A., a wholly owned subsidiary of MII, completed the sale of its Mexican subsidiary, Talleres Navales del Golfo, S.A. de C.V. (“TNG”). Income (loss) from discontinued operations related to TNG of \$12.9 million and \$0.1 million was included in equity in income of subsidiaries and other investees for the years ended December 31, 2006 and 2005, respectively.

NOTE 5 – COMMON STOCK SPLIT

On August 7, 2007, the Board of Directors declared a two-for-one stock split effected in the form of a stock dividend. The dividend was paid on September 10, 2007 to stockholders of record as of the close of business on August 20, 2007. On May 3, 2006, the Board of Directors declared a three-for-two stock split effected in the form of a stock dividend. The dividend was paid on May 31, 2006 to stockholders of record as of the close of business on May 17, 2006. All balance sheets presented have been restated to reflect the effects of these stock splits.

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SIGNATURE OF THE REGISTRANT

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

McDERMOTT INTERNATIONAL, INC.

/s/Michael S. Taff

By: Michael S. Taff
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Representative)

/s/Dennis S. Baldwin

By: Dennis S. Baldwin
Vice President and
Chief Accounting Officer
(Principal Accounting Officer and Duly Authorized Representative)

March 26, 2008

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EXHIBIT INDEX

| Exhibit Number | Description |
|-------------------|--------------------------------------------------------------------------|
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 23.2 | Consent of Independent Registered Public Accounting Firm |
| 31.1 | Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer |
| 32.1 | Section 1350 certification of Chief Executive Officer |
| 32.2 | Section 1350 certification of Chief Financial Officer |
| 99 | Supplementary Financial Information on Panamanian Securities Regulations |