November 25, 1982 SECY-82-469

POLICY ISSUE
(Notation Vote)

For: The Commissioners

From: William J. Dircks
Executive Director for Operations

Subject: PLANNED REORGANIZATION OF MCDERMOTT INCORPORATED, PARENT OF BABCOCK & WILCOX

Purpose: To obtain Commission approval of continued holding of Facility License CX-10 by Babcock & Wilcox.

Category: Major Policy Issue.

Discussion: The reorganization of McDermott Incorporated, which is the sole owner of Babcock & Wilcox, to make McDermott a wholly owned subsidiary of McDermott International, a corporation organized under the laws of Panama, has been proposed. Babcock & Wilcox holds Facility License CX-10, thus bringing up the issue of whether continued holding of that license by B&W is consistent with section 104d. of the Atomic Energy Act, which prohibits foreign ownership, control or domination of a licensed facility.

Based upon OELD's legal research and representations made by B&W as to continued U.S. control of B&W and McDermott International, OELD has concluded, as the attached legal memorandum indicates, that B&W is qualified to continue to hold the facility license. OGC has reviewed this analysis and has expressed agreement with the conclusion reached. The conditions to be imposed in the facility license, essentially the same as those imposed in the Gulf/Royal Dutch Shell case discussed in the legal memorandum, have been agreed to by B&W. ONMSS has no objection to the continued holding by B&W of its licenses for special nuclear material, source material, or byproduct material. (Only facility licenses are subject to the foreign control and domination prohibition.)

This will be the first time an issue of "foreign domination and control" has been presented to the NRC. although the AEC considered the question on several occasions.

Contacts:
Guy H. Cunningham, III, ELD
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Joanna M. Becker, OELD

McDermott has already published notice of the reorganization in the Wall Street Journal, and has requested expedited action on the part of the Commission. It is the staff's understanding that the Department of Energy has no objection from the standpoint of section 57b. of the Atomic Energy Act of 1954, as amended, and 10 CFR Part 810, and that the Division of Naval Reactors also has no objection.

Recommendation: That the Commission:

1. Approve the draft letter to Babcock & Wilcox, indicating no objection to the continued holding of Facility License CX-10, in Enclosure A.

2. Note:

   a. That the appropriate Congressional committees will be notified.

   b. That no public announcement will be issued.

Jack W Pa for
William J. Dircks
Executive Director for Operations

Enclosures:
A. Letter from EDO to Babcock & Wilcox.
B. Legal Memorandum on Questions of Foreign Control and Domination Raised by Planned Reorganization of McDermott Incorporated, Parent of Babcock & Wilcox.
C. Letter from Babcock & Wilcox to William J. Dircks.

Commissioners' comments should be provided directly to SECY by c.o.b. Monday, December 12, 1982.

Commission Staff Office comments, if any, should be submitted to the Commissioners NLT December 6, 1982, with an information copy to SECY. If the paper is of such a nature that it requires additional time for analytical review and comment, the Commissioners and the Secretariat should be apprised of when comments may be expected.

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ENCLOSURE A

Enclosure A

DRAFT

Mr. John H. MacMillan
Senior Vice President and
Group Executive
Advanced Technology Group
Babcock & Wilcox
2250 Murrell Road
P.O. Box 1260
Lynchburg, Virginia 24505

Dear Mr. MacMillan:

We have reviewed your letter of October 20, 1982, concerning the proposed reorganization of McDermott which will result in Babcock & Wilcox, holder of Facility License CX-10, being wholly owned by McDermott, Incorporated (as is now the case), which will, in turn, be wholly owned by McDermott International, a corporation organized under the laws of Panama. We have concluded, on the basis of the representations in your letter and the information regarding stock ownership in the enclosure, that this proposed change would not result in a situation where Babcock & Wilcox would no longer qualify for a facility license. However, in order to ensure continuing compliance with the provision of section 104d. of the Atomic Energy Act of 1954, as amended, prohibiting foreign ownership, control or domination of a licensed facility (and as we have discussed with Mr. George Ellis and Mr. James Jones), Babcock & Wilcox's Facility License CX-10 is hereby amended to insert the following conditions:

1. the president of Babcock & Wilcox, any officers of Babcock & Wilcox having direct responsibility for the control, and any employees of Babcock & Wilcox having direct custody, of special nuclear material, as defined in the Atomic Energy Act of 1954, as amended, stored, used, or produced at the CX-10 facility, shall be citizens of the United States;

2. Babcock & Wilcox alone shall be responsible for the custody and control of such special nuclear material; and the officer of Babcock & Wilcox in charge of such special nuclear material shall report directly to the president of Babcock & Wilcox;

3. the president of Babcock & Wilcox shall be charged with the responsibility and have the exclusive authority (either acting directly or through persons designated by and reporting directly to him) of ensuring that the business and activities of Babcock & Wilcox shall at all times be conducted in a manner which shall be consistent with the protection of the common defense and security of the United States;

4. the foregoing provisions shall apply to Babcock & Wilcox and any entities in which Babcock & Wilcox shall have voting control; and

5. the foregoing conditions will continue to be binding on Babcock & Wilcox unless amended or rescinded by the Director of the Office of Nuclear Reactor Regulation or the Director of the Office of Nuclear Material Safety and Safeguards, of the Commission, as appropriate (or the person holding any equivalent successor positions with the Commission or any agency of the United States which shall be the successor of the Commission).

The Commission has found that:

A. The change in Babcock & Wilcox's parent from McDermott Incorporated to McDermott International is not inconsistent with the provisions of the Atomic Energy Act of 1954, as amended, and the Commission's regulations in 10 CFR Chapter I;

B. The change will not be inimical to the common defense and security or to the health and safety of the public;

C. Babcock & Wilcox continues to be qualified to be the holder of Facility License CX-10.

Since the foreign ownership, domination and control issues raised by section 104d. of the Atomic Energy Act do not apply to materials licenses, no action to amend nuclear materials licenses will be required.

FOR THE NUCLEAR REGULATORY COMMISSION

William J. Dircks
Executive Director for Operations

DESIGNATED ORIGINAL

Certified By: W.J.P.

PLEASE NOTE PREVIOUS CONCURRENCES AND DISTRIBUTION LIST

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ENCLOSURE B

LEGAL QUESTIONS OF FOREIGN CONTROL AND DOMINATION RAISED BY PLANNED REORGANIZATION OF MC DERMOTT, INCORPORATED, PARENT OF BABCOCK & WILCOX

A. Proposed Reorganization of Mc Dermott, Inc.

The Babcock & Wilcox Company ("B&W"), a Delaware corporation, is a wholly owned subsidiary of McDermott Incorporated ("McDermott"), a Delaware corporation. McDermott International, Inc., a Panamanian corporation, ("McDermott International") is also a wholly owned subsidiary of McDermott. It is planned that the shareholders of McDermott will exchange their existing shares for shares in McDermott International, and the result will be that McDermott will become a subsidiary of McDermott International.

B&W holds facility license CX-10 for a critical experiment facility at Lynchburg Research Center, six special nuclear material licenses (SNM-42, 778, 1168, 30, 145 and 414, one source material license, SUB-1259 and four byproduct material licenses.

McDermott asserts that under the planned reorganization:

- -- B&W will continue to have the same Board of Directors, all of whom are U.S. citizens.
- -- B&W will continue to be managed by the same officers all of whom are U.S. citizens.
- -- B&W will continue to own and operate U.S. facilities in such a manner as to insure compliance with all contractual commitments and regulatory requirements.
- -- B&W will continue to operate its facilities with the same personnel who are currently operating these facilities.
- -- B&W will continue to be a Delaware corporation with its principal place of business at 1010 Common Street, New Orleans, Louisiana.
- -- B&W will continue to be a wholly owned subsidiary of McDermott.
- -- McDermott will continue to be a Delaware corporation with its principal place of business at 1010 Common Street, New Orleans, Louisiana.

-- The current Board of Directors of McDermott, all of whom are U.S. citizens, will become the Board of Directors of McDermott International.

-- The Board of Directors of McDermott will probably be reduced to three members (from fourteen currently) and the new Board of Directors of McDermott will be elected from among the current Directors all of whom are U.S. citizens.

-- The principal officers of McDermott, all of whom are U.S. citizens will become the principal officers of McDermott International.

-- Application will be made to list the stock of McDermott International on the New York Stock Exchange.

-- McDermott International, which was incorporated in Panama in 1959, has no significant assets in Panama and no control or influence is exercised by the Panamanian government over the internal management of the Company. No change in this condition is anticipated as a result of the restructuring.

-- The shareholder composition of McDermott International is expected to be the same as that of McDermott today (see analysis of stock ownership in pages from McDermott Fact Book for FY 03/31/82, Attachment A).

The only change which will result from this planned reorganization is that the currently existing roles of parent and subsidiary which exist between McDermott and McDermott International will be reversed. The only impact upon B&W is that while B&W will remain a wholly owned subsidiary of McDermott, its ultimate parent will be McDermott International.

B. Statutory Provisions Pertaining to Ownership and Control of Facilities

Section 103d. of the Act provides, in pertinent part:

> "No license [for a commercial production or utilization facility] may be issued to an alien or any corporation or other entity if the Commission knows or has reason to believe it is owned, controlled or dominated by an alien, a foreign corporation, or a foreign government. In any event, no license may be issued to any person within the United States if, in the opinion of the Commission, the issuance of a license to such person would be inimical to the common defense and security or to the health and safety of the public.

Section 104d., pertaining to licenses for research and development facilities, provides, in pertinent part:

> "No license may be issued to any corporation or other entity if the Commission knows or has reason to believe it is owned, controlled or dominated by an alien, a foreign corporation or a foreign government. In any event, no license may be issued to any person within the United States if, in the opinion of the Commission, the issuance of a license to such person would be inimical to the common defense and security or to the health and safety of the public."

Section 186 of the Act provides, in pertinent part:

> "a. Any license may be revoked for any material false statement in the application or any statement of fact required under section 182, or because of conditions revealed by such application or statement of fact or any report, record, or inspection or other means which would warrant the Commission to refuse to grant a license on an original application, or for failure to construct or operate a facility in accordance with the terms of the construction permit or license or the technical specifications in the application, or for violation of, or failure to observe any of the terms and provisions of this Act or of any regulation of the Commission." (Emphasis added.)

C. Discussion

In the absence of criteria in sections 103d. and 104d. for determining "ownership", "control" or "domination", the legislative history of those sections and cases construing the provisions have been examined.

It appears that earlier drafts of the bill that eventually was enacted as the Atomic Energy Act of 1954 would have prohibited the issuance of licenses to a corporation or association owned or controlled by a foreign corporation or government, or if more than 5 percent of the voting stock was owned by aliens, or if any officer, director, or trustee was not a citizen of the United States.[1/] After objection on the grounds that other statutes permitted a higher percentage of alien ownership (20-25%), that many stockholders, for reasons of convenience, leave their securities in the names of brokers or nominees or in street names and thus the real ownership may not often be easily known, and that there are no feasible means by which a corporation could prevent 5 percent of its stock from being purchased by aliens,[2/] the final version of the provision was passed substantially in its present form. The Conference Reports do not reveal Congress' express reason for changing the proposed version and there seems to have been no debate on the provision.

1/ H.R. 8062, April 15, 1954; S. 3323, April 19, 1954.

2/ Legislative History of the Atomic Energy Act, p. 1698, 1961-2.

The first Atomic Energy Commission decision construing the foreign control or domination provision of sections 103d. and 104d. was In the Matter of General Electric Company and Southwest Atomic Energy Associates (the SEFOR case).3/ That case involved a construction permit application filed by General Electric Company and Southwest Atomic Energy Associates (SAEA), an association of utility companies organized under Arkansas law. Pursuant to a contract between the Commission and SAEA, a program for construction and operation of the SEFOR test reactor for research and development as part of the AEC fast breeder reactor program was to be conducted.

Under a separate contract between SAEA and Gesellschaft fur Kernfurschung (GFK), a non-profit association formed under the laws of the Federal Republic and in part by the land (State) of Baden - Wurttemberg, GFK agreed to contribute 50 percent of the costs of construction of the SEFOR reactor. Under the contract, GFK was entitled to participation in the project review and technical policy committees with SAEA and GE respectively, and SAEA was required to consult with GFK on all matters of policy and questions affecting costs. Furthermore, GFK was entitled to designate scientists and engineers to participate in the design and construction of the reactor and the conduct of the program, subject to approval and direction of GE. GFK did not own any stock in GE or SAEA or any legal interest in the physical assets of the project. Other contracts between SAEA and GE provided for construction and conduct of the research program.

In a supplemental initial decision, the atomic safety and licensing board rescinded a provisional construction permit that had been conditionally granted, because the project was found to be significantly and substantially under the control and domination of GFK.

The Atomic Energy Commission reversed, reinstating the construction permit. In its decision the Commission said (p. 101):

> "In context with the other provisions of Section 104(d), the limitation should be given an orientation toward safeguarding the national defense and security. We believe that the words 'owned,controlled, or dominated' refer to relationships where the will of one party is subjugated to the will of another, and that the Congressional intent was to prohibit such relationships where an alien has the power to direct the actions of the licensee.
>
> The board erred in failing to take into consideration the many aspects of corporate existence and activity in which control or domination by another would normally be manifested in giving undue significance

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3/ 3 AEC 99 (1966).

> to the voice and influence afforded contractually to Gesellschaft in the matters of participation in project planning and review of program execution. The ability to restrict or inhibit compliance with the security and other relations of AEC, and the capacity to control the use of nuclear fuel and to dispose of special nuclear material generated in the reactor, would be of greatest significance."

The Commission went on to note that GFK had no legal ownership or interest in the physical assets of the SEFOR project, no voice in the financial affairs of the applicants and no power to restrict compliance with the safety and security requirements of the Commission. It concluded (p.102):

> "We believe that the board failed to give proper consideration to the provisions of the contracts other than the SAEA-Gesellschaft contract in reaching the finding of alien domination. The effect of those contracts is to retain positive control of the project in the Commission and in General Electric Company, and it is provided that nothing in them is intended to confer upon Gesellschaft any measure of control over SEFOR or the related research and development program."

The rationale of the SEFOR case was reaffirmed in the Zion case.[4/]

The subsequent case of the Gulf-Royal Dutch/Shell partnership resulting in the creation of General Atomic Company involved more complicated considerations.

By an agreement dated November 19, 1973, Gulf Oil Corporation ("Gulf") and Royal Dutch/Shell entered into a joint venture in the nuclear energy and related fields to conduct the business presently conducted by Gulf Energy and Environmental Systems Company, Gulf General Atomic Company and Gulf Environmental Systems Company, divisions of Gulf. The joint venture took the form of two partnerships, both situated in the United States, one to conduct the U.S. business of the joint venture. The partnership conducting the U.S. business was organized under the California Uniform Partnership Act, owned 50/50 by Gulf and Scallop Nuclear, Inc., a Delaware corporation whose shares were owned by Scallop Holding, Inc., whose shares in turn were owned by Shell Petroleum N.V., a Netherlands company which was owned 40% by Shell Transport and Trading, a British group and 60% by Royal Dutch Petroleum, a Dutch group.

Gulf proposed to transfer to the U.S. partnership its interests in and rights under various AEC facility licenses issued under Section 104 of the

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4/ In the Matter of Commonwealth Edison Company, (Zion Station, Units 1 and 2); 4 AEC 231, April 9, 1969.

Act, including licenses for (1) three TRIGA reactors (2) the Barnwell nuclear fuel reprocessing plant then being constructed at Barnwell, South Carolina, by Allied Chemical Products, Inc., and (3) the export of certain reactor components required for a TRIGA reactor to be constructed in Romania. Gulf applied to the Atomic Energy Commission for the transfer of these licenses to the U.S. partnership. Gulf had also acquired 100% of the stock of the Gulf United Nuclear Fuels Corporation ("Gulf United"), formerly owned 57% by Gulf and 43% by United Nuclear Corporation, liquidated such corporation into Gulf, and proposed to transfer to the U.S. partnership two research reactors then held by Gulf United (either through the parent corporation, Gulf, or directly to the partnership).

The property, including the physical assets of Gulf Energy, Gulf General Atomic, and Gulf Environmental Systems, was also to be transferred to the U.S. partnership. The contribution of Scallop, the Delaware corporation set up by the Royal Dutch/Shell Group to enter into the joint venture, was to be primarily in the form of money.

Since the U.S. partnership would be 50% owned by Scallop, a company of the Royal Dutch/Shell Group, a foreign "group", questions arose as to whether the partnership to which the Gulf licenses would be transferred would be owned, controlled or dominated by an alien or a foreign corporation.

The AEC approved the transfer, in a letter dated December 14, 1973 from the Director of Regulation to General Atomic Company. The approval was subject to certain conditions:

(1) the president and any officers of the partnership having direct responsibility for the control, and any employees having direct custody of, special nuclear material must be U.S. citizens.

(2) a separate department of General Atomic must be responsible for special nuclear material, and the head of the department must report directly to the president.

(3) the president shall be charged with the responsibility and exclusive authority of ensuring that the business and activities of the partnership are at all times conducted in a manner consistent with the protection of the common defense and security of the United States.

(4) the foregoing conditions apply to the partnership and any entities in which the partnership shall have voting control.

(5) General Atomic will not change any of the foregoing conditions without approval of the Director of Regulation of the AEC or of the person holding any equivalent successor position with the Commission or its successor.

Subsequently, a foreign domination and control question arose in connection with the proposed acquisition of a research reactor owned by a New Jersey corporation by HLR Radiopharmaceutical (HLRR), a wholly-owned subsidiary of Hoffmann-LaRoche, Inc. (HLR), also a Delaware corporation. However, all stock in HLR was owned by Curacao Pharmholding, N.V., a foreign corporation, and all stock in that concern was owned by Sapec Corporation Ltd., a New Brunswick, Canada corporation, with a principal place of business in Montevideo, Uruguay. The stock of that company, in turn, was controlled by Hoffmann-LaRoche & Company, Ltd., a Swiss corporation.

It was argued by counsel for HLRR that the corporate veil should not be pierced to the foreign-dominated holding company. However, the AEC staff advised counsel for HLRR that the staff would oppose the transfer, on the basis of the section 104d. prohibition against issuance of a license to an entity owned, controlled or dominated by an alien, foreign corporation or foreign government. No letter or other writing was sent to HLRR concerning the matter. However, a letter dated March 17, 1975 to Senator Williams of New Jersey in response to his letter inquiring into the matter, confirmed this conclusion.

It appears that the foregoing "foreign control or domination" situations discussed above are not on all fours with the instant proposal. The Gulf-Shell case and the Hoffmann-LaRoche case both involved the transfer of a license to another that ultimately was controlled by aliens. (In the Gulf-Shell case, since the recipient of the licenses, General Atomic, was a general partnership, the foreign-controlled partner, Scallop Nuclear, could dispose of all of the property of the partnership and thus have the potential for 100% control.) The SEFOR case involved the issuance of a license to U.S. companies in a project involving foreign participation. In the planned reorganization of McDermott, Inc., no change in the B&W facility licensee, a U.S. corporation, would be needed or contemplated. However, the reorganization would result in the ultimate parent of B&W being a foreign corporation, giving rise to the question of whether the B&W facility license should be permitted to retain its facility license.

While the text of section 104d. raises the question of the continued eligibility of B&W to hold a facility license, the facts of the reorganization of McDermott, when read with the rationale of the AEC's decision in the SEFOR case, can lead to a conclusion that B&W remains eligible to hold its facility license.

It is a general legal principle that in terms of foreign relations law, a corporation or other private legal entity has the nationality of the state which creates it. Restatement of the Law, Foreign Relations Law of the United States, 2d. Ed., § 27; Borchard, The Diplomatic Protection of Citizens Abroad, §§ 23, 278. Thus, the parent corporation of McDermott would be regarded as a foreign corporation. It could be argued that, therefore, the B&W license should be revoked because B&W is controlled by a foreign corporation.

However, other legal principles support the proposition that the fact of foreign incorporation does not preclude the application of the laws of the state in which a foreign corporation is doing business, if the persons who own or control it are nationals of a different state. Comment d. of § 27 of the Restatement of the Foreign Relations Law of the United States states as follows:

> "d. Corporation owned or controlled by nationals of another state. When the nationality of a corporation is different from the nationality of the persons (individual or corporate) who own or control it, the state of the nationality of such persons has jurisdiction to prescribe, and to enforce in its territory, rules of law governing their conduct. It is thus in a position to control the conduct of the corporation even though it does not have jurisdiction to prescribe rules directly applicable to the corporation."

Borchard states, on p. 42 of his work referred to above, that:

> "At the present day, practically all states recognize the civil capacity of foreign corporations as they do that of natural persons. With the growth of commerce, local limitations on functional capacity are gradually being removed, either by statute or treaty, those that still exist being dictated by interests of public policy. Foreign corporations, like aliens generally, are subject to local regulations of registration and other provisions of penal and police laws."

Thus, it may be argued that the foreign incorporation of the parent of B&W is, at least at the outset, no bar to the continuation of the B&W facility license.

This view is consistent with the decision of the AEC in the SEFOR case. As the AEC stressed in its opinion, the limitation in section 104d. should be given an orientation toward safeguarding the national defense and security. However, it should be noted that the situation presented in the SEFOR case was one of foreign financial participation in the financing of a reactor and benefits of the information obtained therefrom wherein the licensees would be U.S. corporations. The AEC stressed, as noted above, that the words "owned, controlled or dominated" refer to relationships where the will of one party is subjugated to the will of another, and that the Congressional intent was to prohibit such relationships where an alien has the power to direct the actions of the licensee.

However, the language of the AEC in the Commonwealth Edison case, supra, note 4, is pertinent. In that case, the Atomic Safety and Licensing Board certified to the Commission the following question (4 NRC 231):

> "Need a rule be promulgated by the Commission consistent with the requirements of Section 104d of the Atomic Energy Act, as amended, to specify the method for presentation of evidence by an applicant to prove that it is not owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government?"

The AEC said (p. 233):

> "If a domestic public utility corporation were subject to alien direction, we think it reasonable to expect that there would be manifestations of this in the corporate organization and management; and, further, that there would be recognition of such circumstances by those corporate officers who must furnish the Commission with the sworn information prescribed by Section 50.33.
>
> We would consider it unnecessary, unreasonable and inconsistent with the legislative intent to require an applicant to furnish conclusive proof of the negative where there is no record evidence, taking due account of the requirements of Section 50.33, which would provide a basis for a finding of alien ownership, domination or control."

Although the language in the SEFOR and Commonwealth Edison cases tying the foreign control and domination prohibition to safeguarding the common defense and security support the view that B&W may continue to hold its facility license, it might be prudent to impose conditions on the licensee similar to those imposed on General Atomic in the Gulf-Shell case to prevent domination of General Atomic by the foreign partner in matters pertaining to the common defense and security. That case is particularly pertinent in that the successor company, being a general partnership, could as a matter of law, be completely controlled by the foreign partner, Scallop Nuclear.

The AEC's position in the Hoffmann-LaRoche case described above may be difficult to distinguish, in that the Commission there rejected an application to transfer a facility license to a corporation whose parent was apparently 100 percent owned by Swiss nationals. However, McDermott International is a corporation whose stock is largely owned by U.S. citizens, as laid out in the pages from the Fact Book in Attachment A, and whose management is composed of U.S. citizens. The only nexus with the foreign government is the fact of incorporation there. Further, changes of ownership of stock of more than 5% are required to be reported to the Securities and Exchange Commission. 15 U.S.C. 78m.

There are few provisions similar to sections 103d. and 104d. in other regulatory statutes. The most pertinent is that in the Federal Communications Act, 47 USC 310, on which the first draft of sections 103d. and

104d. was based. Section 310 provides, in pertinent part, that a broadcast station license shall not be granted to or held by (1) an alien or representative of an alien; (2) a foreign government or representative thereof; (3) any corporation organized under the laws of any foreign government; (4) any corporation of which any officer or director is an alien or of which more than one-fifth of the capital stock is owned or voted by aliens, their representatives, a foreign government or a representative thereof, or any corporation organized under the law of a foreign country; or (5) any corporation directly or indirectly controlled by any other corporation of which any officer or more than one-fourth of the directors are aliens, or of which more than one-fourth of the capital stock is owned of record or voted, after June 1, 1935, by aliens, their representatives, a foreign government or representative thereof or any corporation organized under the laws of a foreign country, if the FCC finds that the public interest will be served by the refusal or revocation of such license.

Noe v. Federal Communications Commission, 260 F.2d 739 (D.C. Cir., 1958) involved a contested application for a television station by Loyola University, which is run by the Jesuits. The competing applicant argued that Loyola University (in New Orleans) was controlled by the foreign head of the Society of Jesus, through his appointing power, and that Loyola's application was therefore barred by section 310. The record showed a lack of any actual control. The court stated (pp. 741-742):

> "From this legislative history we may conclude that although Section 310(a) was directed against alien control of our communications facilities, this limitation was primarily based 'upon the idea of preventing alien activities against the Government during the time of war.' 68 Cong. Rec. 3037 (1927). The relationship of Loyola to the Society of Jesus hardly seems to endanger our national security. Certainly the mere fact that the Rector is appointed by an ecclesiastical superior who is an alien is not enough to bring Loyola within the interdiction of the cited statute.
>
> [1] We recognize that the Society of Jesus is an hierarchical organization, and that within the organization some power and control is vested in persons who are not directly a part of the University or the corporation, and a few of whom reside abroad. But the record shows that this hierarchical chain of authority - which extends from the Superior General in Rome to the Provincial Superior and the Rector, and in some rare situations might include the Pope - has never been used in the past to impinge upon the independence of the University in the operation of its radio station. Under all the circumstances, even if Section 310(a) be thought to have a semblance of relevance to the present case, it

> nevertheless would be inapplicable since it was incorporated in the Communications Act to 'guard against alien control.' S.Rep.No. 781, 73d Cong., 2d Sess. 7 (1934). In sum, therefore, we find nothing in the legislative history of the statutory provisions, or in the record of the present case, which would require us to overrule the Commission's rejection of Noe's argument. Loyola seems to us to fall neither within the letter nor the spirit of the statute."

However, the court added (p. 742):

> "We note that the chain of authority within the Society of Jesus, described above, is primarily an ecclesiastical one, though it includes the power to appoint and promote. This latter power, in business organizations, might perhaps require all persons in positions of comparable appointing authority to be considered as principals in an application for a TV license, although that issue is not now before us."

D. Statutory Provisions Pertaining to Ownership and Control of Enterprises Licensed to Possess or Use Nuclear Material

The question of foreign participation in enterprises holding licenses to possess or use nuclear material is much simpler, since there is no statutory prohibition against foreign control or domination.

Thus section 57c.(2) of the Act provides that:

> "The Commission shall not distribute any special nuclear material or issue a license pursuant to section 53 to any person within the United States if the Commission finds that the distribution of such special nuclear material or the issuance of such license would be inimical to the common defense and security and would constitute an unreasonable risk to the health and safety of the public."

Section 184 of the Act provides, in pertinent part:

> "No license granted hereunder and no right to utilize or produce special nuclear material granted thereby shall be transferred, assigned, or in any manner disposed of, either voluntarily or involuntarily, directly or indirectly, through transfer of control of any license to any person,

> unless the Commission shall, after securing full information, find that the transfer is in accordance with the provisions of this Act, and shall give its consent in writing."

Section 69 of the Act contains a provision similar to section 57c(2) applicable to source material licenses. There is no equivalent provision of the Act applicable to byproduct material licenses.5/ As noted, the provisions of section 184 on transfer or licenses are applicable to all licenses.

Thus, it appears that there is no absolute prohibition on the issuance, holding, or transfer of materials licenses to an alien or to a foreign corporation or other foreign entity. The only question would be whether the degree of control or domination would be inimical to the common defense and security or an unreasonable risk to the health and safety of the public.

E. Conclusion

The proposed reorganization of McDermott, Inc. to make the parent corporation one incorporated in a foreign country creates legal problems as to the continued holding of a facility license by Babcock & Wilcox, a McDermott subsidiary, in view of the prohibition against foreign ownership

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5/ Senate Report (No. 1699 on S. 3690 and House Report No. 2181 on H.R. 9757 (83d Cong., 2d Sess., 1954) stated:

> "Section 81: This section permits the Commission to distribute and permit other persons producing byproduct materials to distribute such material to licensees of the Commission who will abide by Commission regulations on the use of those materials, the regulations having been imposed to protect the common defense and security and the health and safety of the public."

Legislative History of the Atomic Energy Act of 1954. 766-7, 1014-15 (1955).

The Commission has specified that it may incorporate conditions appropriate or necessary to promote the common defense and security in byproduct material licenses in 10 CFR 30.34.

and control in section 104d. of the Act. However, a reasonable argument can be made, based upon the management of the foreign corporation, the distribution of stock ownership, and the possible imposition of conditions on B&W, that the arrangement would not violate the section 104d. prohibition. This conclusion is limited to the questions raised under section 104d., 57c.(2), 69 and 81 of the Act. Questions related to section 57b. of the Act and 10 CFR 810 relating to technology transfer are within the jurisdiction of the Department of Energy and questions related to access to classified information in the work for the naval reactors program fall within the jurisdiction of either DOE or the Department of Defense.

ENCLOSURE C

Enclosure C

Babcock & Wilcox

a McDermott company

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October 20, 1982

Mr. William J. Dircks
Executive Director for Operations
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Re: Facilities License CX-10

Dear Mr. Dircks:

This letter will confirm the information on the proposed reorganization of McDermott which Mr. Ellis and I provided to you, Harold Denton, and Guy Cunningham during our meeting in Bethesda on October 13, 1982, and provide certain additional information which was requested by Guy Cunningham at a subsequent meeting.

The Babcock & Wilcox Company ("B&W") is the named licensee on Facilities License CX-10. This license permits certain low power experiments at B&W's Critical Experiment Laboratory which is located at B&W's Lynchburg Research Center, Lynchburg, Virginia. B&W is also the licensee of 12 materials licenses, noted on Attachment A to this letter.

B&W, a Delaware corporation, is a wholly owned subsidiary of McDermott Incorporated, a Delaware corporation ("McDermott"). McDermott International Inc., ("McDermott International"), is also a wholly owned subsidiary of McDermott, organized in 1959 under the laws of the Republic of Panama. McDermott intends to reorganize by converting its stock held by its existing shareholders into stock of McDermott International, with the result that the positions of parent and subsidiary will be reversed.

Application will be made to list the stock of McDermott International on the New York Stock Exchange and the stock of McDermott International will be subject to U.S. securities regulations. In addition, the restructuring will require review by the Securities and Exchange Commission ("SEC"). The proxy statement was submitted to the SEC on October 15, 1982, and its terms will be communicated to the shareholders approximately 30 days later. It is currently planned that the reorganization will be completed by the end of the year or shortly thereafter.

After the reorganization, McDermott International will be the ultimate parent to B&W. It will share essential attributes of a domestic corporation and will not itself be foreign owned, controlled or dominated. Thus, after the reorganization, the Directors of McDermott International will be the same United States citizens who direct McDermott today. In addition, the principal officers (Chief Executive Officer; Executive Vice President and Chief Financial and Administrative Officer; Vice President, General Counsel and Corporate Secretary; and Treasurer) of McDermott International will be the same United States citizens who manage McDermott as its principal officers today. McDermott International has no significant assets in Panama and no control or influence is exercised by that government over the internal management of the company. No change in this condition is anticipated as a result of the restructuring. Finally, the shareholder composition of McDermott International is expected to be the same as that of McDermott today.

McDermott's analysis of stock ownership as contained in its Fact Book for the Fiscal Year ended March 31, 1982 (attached) shows that McDermott has issued and outstanding approximately 37 million shares of common stock of which fewer than 100,000 shares, or 1% of the outstanding shares, are held of record by shareholders with other than United States addresses. McDermott also has issued and outstanding two classes of preferred stock comprising approximately 12 million shares of which fewer than 20,000 shares are held by shareholders of record having other than United States addresses. No change in the makeup of this current shareholder community is expected as a result of the reorganization.

In summary, the reorganization will not move ultimate ownership of McDermott outside of the United States, nor will it result in the placement of any non-U.S. citizen in the corporate structure as either a director or a principal officer of either McDermott or its parent. It will only insert in the chain of ownership a corporation incorporated abroad but with the stock owned primarily by the same U.S. public which owns McDermott today.

The reorganization will also not affect the conduct of B&W's operations. The Directors, officers and employees of B&W will remain the same as they are today. B&W will continue to own and operate U.S. facilities in such a manner as to insure compliance with all contractual and regulatory requirements

including those relating to materials accountability and facility security requirements. B&W and McDermott will continue to be incorporated in Delaware with their principal place of business at 1010 Common Street, New Orleans, Louisiana. The only impact upon B&W is that while B&W will remain a wholly owned subsidiary of McDermott, its ultimate parent will be McDermott International.

We are aware that the Atomic Energy Act prohibits the Nuclear Regulatory Commission from issuing a facility license to a corporation under foreign ownership, control or domination. There is no similar statutory prohibition with regard to materials licenses. Ultimate ownership of B&W is expected to be in the same stockholders who own McDermott today, and the ultimate parent corporation of B&W is not itself under foreign ownership, control or domination. No change in management, reporting relationships, officers, directors, security safeguards or methods of operation is to result from the reorganization which would affect B&W's licenses. B&W has met and will continue to meet all statutory and regulatory requirements necessary to permit the continuance of these licenses. We do not believe that the circumstances resulting from this reorganization will result in a transfer of control such as would require amendment to either the facilities license or the materials licenses issued to B&W.

We would appreciate a formal response on behalf of the Nuclear Regulatory Commission confirming that no change in B&W's licenses will result from reorganization as described.

We request that the information contained in this letter be treated in confidence until such time as our plans are publicly announced.

Sincerely yours,

The Babcock & Wilcox Company

John H. MacMillan
Senior Vice President and
Group Executive
Advanced Technology Group

JHM/mjc

2 Attachments:
- Materials Licenses List
- Fact Book

cc: w/Attachments
G. H. Cunningham - NRC

Babcock & Wilcox

Nuclear Licenses

I. Licenses

A. Materials

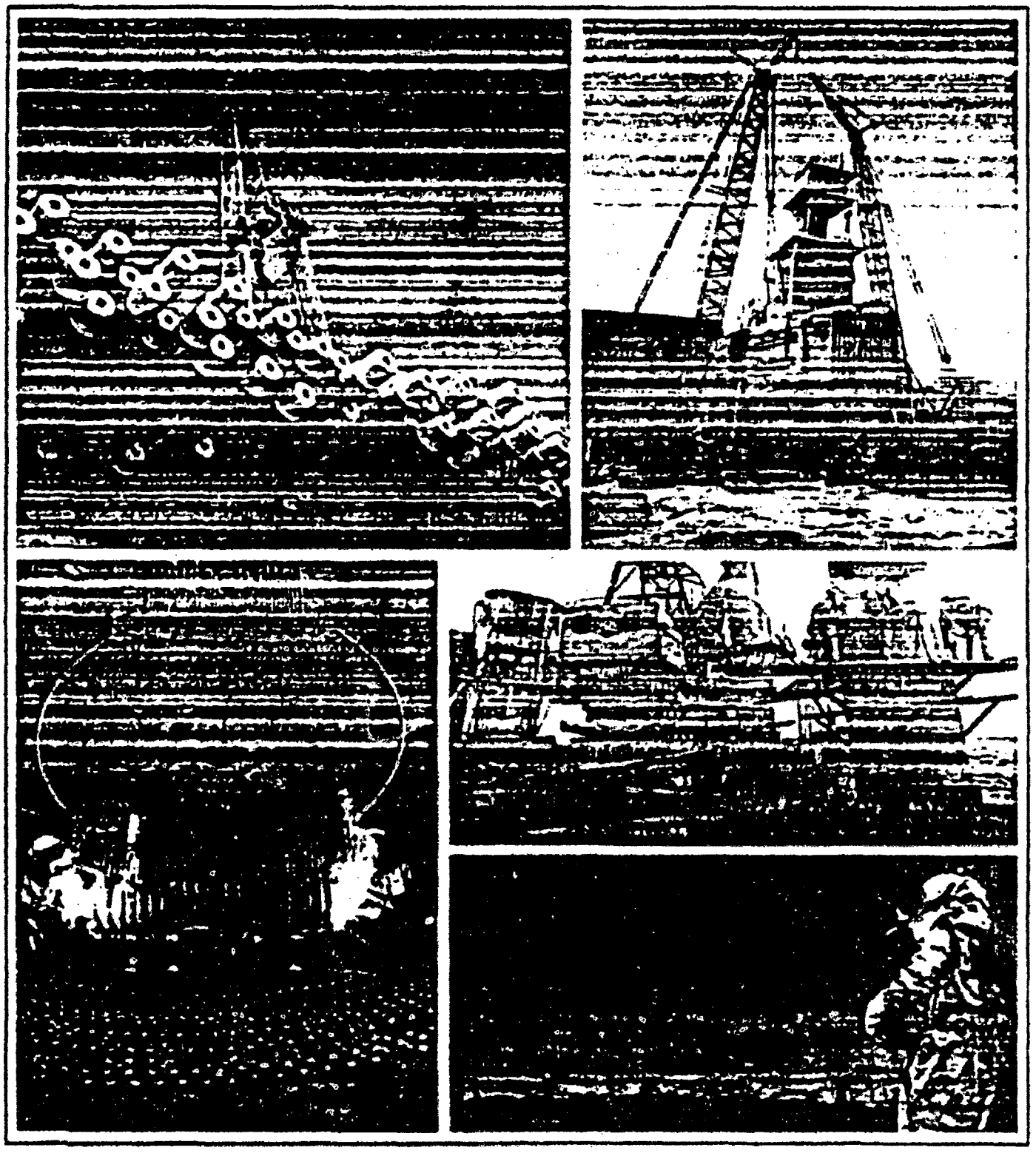
1.	SNM-42	High Enriched	Naval Nuclear Fuel Division Facility
2.	45-00105-04	By-Product	Naval Nuclear Fuel Division Facility
3.	SNM-778	High Enriched	Lynchburg Research Center
4.	SNM-1168	Low Enriched	Commercial Nuclear Fuel Plant
5.	34-03043-03	By-Product	Alliance Research Center
6.	SNM-30	High Enriched	Alliance Research Center
7.	SUB-1259	Source Material	Alliance Research Center
8.	SNM-145	High Enriched	Apollo
9.	SNM-414	High Enriched	Apollo
10.	34-02160-03	By-Product	Barberton
11.	34-02160-04	By-Product	B&W Construction (X-raying welded material)
12.	34-13454-01	By-Product	Canton

B. Facilities

CX-10	Critical Experiment Facility	Lynchburg Research Center

Fact Book

for the Fiscal Year ended March 31, 1982



McDermott
Incorporated

Contents

The McDermott Incorporated 1982 Fact Book is designed to provide information with which the reader can gain a greater understanding of the Company. The book should be used as a supplement to the Annual Report, Form 10-K and the Corporate Profile.

A History of McDermott Incorporated

Founded by R. Thomas McDermott and named for his father, McDermott Incorporated began in the east Texas oilfields in 1923 as a contracting firm specializing in the construction of wooden drilling rigs. By 1946 when it was reorganized and incorporated in Delaware, the Company had grown into a number of businesses engaged in providing services to the oil and gas industry.

McDermott was a pioneer in offshore platform and pipeline construction in the Gulf of Mexico. Today, the services of McDermott and its subsidiaries include the design, engineering, fabrication, and installation of fixed offshore platforms, pipelines, and other facilities for development drilling and production operations in all major oil and gas producing areas of the world. McDermott does not conduct exploratory or drilling operations, but provides a broad range of services to the industry.

The Company also provides engineering and construction services for oil and gas production in shoreline and marshland areas, and operates three shipyards in Louisiana and Mississippi for the construction, repair, and maintenance of tugboats, barges, and other small vessels.

In 1978, McDermott acquired The Babcock & Wilcox Company, a leader in the design and manufacture of steam generating and associated equipment. It also designs and manufactures air-cooled heat exchangers, specialty steel tubing, and refractories.

To more accurately reflect the growing scope of the Company's business, the name was changed in 1980 from J. Ray McDermott & Co., Inc. to McDermott Incorporated.

McDermott Marine Construction

McDermott Marine Construction is one of the three financial reporting segments of McDermott Incorporated. It is a leader in the design, fabrication, and installation of fixed offshore platforms for development drilling and production, and the installation of marine pipelines for the transportation of oil and gas. It operates yards all over the world for the fabrication of offshore structures and three shipyards for the construction of large-horsepower tugboats, packaged drilling rigs, dredges, oceanographic research vessels, and ocean-going work boats. McDermott Marine Construction also performs dredging and inland construction work.

The company operates one of the largest fleets of marine equipment used in offshore construction, 36 construction spreads of equipment, located in the Gulf of Mexico, Mexico, the Middle East, Southeast Asia, the North Sea, South America, and offshore West Africa. An outline of the various functional areas of McDermott Marine Construction follows.

I Marine Engineering

1. Products and services:
- Design and engineering for offshore drilling platforms, production and processing platforms, onshore and offshore oil and gas processing facilities, refineries, petrochemical plants, tank farms, tanker mooring systems, marine terminals, and underwater pipeline facilities
- Engineering and feasibility studies
- Oil, gas, and chemical process design
- Basic design and project scheduling
- Detailed engineering and design
- Equipment engineering
- Procurement of materials
- Testing and start-up of facilities
- Construction management and project management

2. Markets:
- Oil and gas producing areas worldwide

3. Locations:
- Houston, Texas
- New Orleans, Louisiana
- Lafayette, Louisiana
- London, England
- Singapore
- Oslo, Norway

II Fabrication

1. Products and services:
- Platform jackets (bases), deck sections, deck facilities, production modules, drilling modules, quarters modules
- Offshore loading terminals
- Control systems for subsea production wells
- Process piping
- Process vessels
- Caissons (well protectors)

2. Markets:
- Oil and gas producing areas worldwide

3. Locations:
- Morgan City, Louisiana
- Bayou Black, Louisiana
- Harvey, Louisiana
- Inverness, Scotland
- Dubai, United Arab Emirates
- Ain Soukhna, Egypt
- Batam Island, Indonesia
- Jurong, Singapore

III Offshore Installation and Marine Pipelaying

1. **Products and services:**
- Transportation, installation, hookup, commissioning, and maintenance of offshore structures
- Weld steel pipe, coat with concrete, lay pipe on sea floor, excavate trenches, lay pipe across rivers and channels, engage in diving operations

2. **Markets:**
- Oil and gas producing areas worldwide

3. **Locations:**
- Morgan City, Louisiana
- Harvey, Louisiana
- Batam Island, Indonesia
- Singapore
- Dubai, United Arab Emirates
- Warri, Nigeria
- Rio de Janeiro, Brazil
- Antwerp, Belgium
- Aberdeen, Scotland

IV McDermott Shipyards

1. **Products and services:**
- Construction of high-horsepower river and ocean tugboats, cargo barges, offshore supply boats, posted drill barges, packaged drilling rigs, fishing boats, small jack-up drilling barges
- Repair of damaged hulls, machinery, propellors, shafts, bearings
- Routine maintenance and repair work

2. **Markets:**
- Oil and gas transportation and supply industry, drilling industry, fishing industry, and other maritime transportation and construction industries

3. **Locations:**
- Morgan City, Louisiana
- New Iberia, Louisiana
- Gulfport, Mississippi

V Dredging Division

1. **Products and services:**
- Oilfield canal and drilling slip excavation and backfill, open-water pipeline ditching, pipeline river crossings, ship channel excavation, maintenance dredging
- Levee construction; bulkheads; marine construction to thirty feet; steel, concrete, and timber platform fabrication; dock construction; steel cofferdams; pile supported decks
- Site preparation for posted drilling rigs, aerial pipeline crossings, and flood control structures

2. **Markets:**
- Worldwide marshland and shoreline oil and gas producers; federal, state, and local governments; oil, gas, and petrochemical industries

3. **Location:**
- Harvey, Louisiana

McDermott Marine Construction is organized to provide all of its products and services in each of the oil and gas producing areas of the world. Its marine engineering offices specialize in the problems unique to each of the areas. Other services are also organized on geographical lines: North and South America, Middle East and Southeast Asia, North Sea, and West Africa.

Babcock & Wilcox

Babcock & Wilcox began more than a century ago when, in 1867, George Babcock and Stephen Wilcox developed a new, safe boiler to provide power for a rapidly industrializing nation. Today, B&W is one of the nation's leading suppliers of fossil-fueled steam generating systems and associated equipment, and a principal producer of nuclear steam systems, fuel and equipment, and specialty steel tubing.

Babcock & Wilcox accounts for two of the financial reporting segments of McDermott Incorporated: Power Generation Systems and Equipment, and Engineered Materials. Babcock & Wilcox has five business areas: Power Generation, Industrial Products and Services, Naval Nuclear Fuel Division, Tubular Products, and Advanced Technology. An outline of each of these operations, markets served, and principle locations follows.

I Advanced Technology

Nuclear Equipment Division

1. Products and services:
- Full-scope naval nuclear components for naval nuclear propulsion systems
- Trident submarine missile tubes; fossil and nuclear pressure vessels; iron, alloy, and vacuum process foundry products; breeder reactor components; solar receivers; and other advanced-energy-system components

2. Markets:
- Naval, industrial, and utilities

3. Location:
- Barberton, Ohio

Nuclear Core Structurals

1. Products and services:
- Nuclear core structurals

2. Market:
- U.S. Navy

3. Location:
- Rockford, Illinois

Research & Development, and Contract Research Divisions

1. Products and services:
- Research in combustion, fuels, design, materials, process control, non-destructive methods and diagnostics, advanced energy, and thermal/fuel areas

2. Markets:
- Support research, development, and service needs of McDermott companies and, through contract, available to customers in government and industry

3. Locations:
- Alliance, Ohio
- Lynchburg, Virginia

II Power Generation

Fossil Power Generation Division

1. Products and services:
- Supplies fossil-fuel-fired steam generating systems and related equipment and services
- Air pollution control equipment, air heaters, fans
- Supplies parts and services

2. Markets:
- Domestic utility and other energy sectors

3. Location:
- Barberton, Ohio (headquarters)

B&W Construction Company

1. Products and services:
- Erection of fossil utility systems, nuclear utility steam systems, and industrial boilers
- General construction work
- Repairs, alterations, and inspection services
- Refinery piping and vessel repairs
- Erects and overhauls turbines
- Manufactures flues and ducts
- Erects and repairs environmental and advanced energy systems

2. Markets:
- Utilities, pulp and paper, and miscellaneous construction industries

3. Location:
- Copley, Ohio (headquarters)

Manufacturing Division

1. Products and services:
- Service and manufacturing operations for the Power Generation, Industrial & Marine, and Advanced Energy and Environmental Systems divisions

2. Locations:
- Paris, Texas
- West Point, Mississippi
- Wilmington, North Carolina

Advanced Energy & Environmental Systems Division

1. Products and services:
- Complete wet and dry sulfur dioxide removal systems, electrostatic precipitators, baghouse particulate removal systems, coal gasification systems, coal slurry, and fluidized bed systems
- Design of advanced energy systems

2. Markets:
- Utility and industrial

3. Location:
- Barberton, Ohio

Industrial & Marine Division

1. Products and Services:
- Complete fossil steam generating systems, marine boilers, boiler components, replacement parts, pulverized coal injection systems, municipal waste incineration boilers, waste heat (cogeneration) boilers, flue-gas desulfurization systems, blast furnaces, gas-fired boilers, and heat exchangers

2. Markets:
- Industrial, marine, and municipal

3. Location:
- North Canton, Ohio

Nuclear Power Generation Division

1. Products and services:
- Complete utility nuclear steam supply systems and components
- Nuclear fuel processing and finished nuclear fuel assemblies
- Engineering and field technical services to improve overall plant performance

2. Markets:
- Domestic and international utilities

3. Locations:
- Lynchburg, Virginia (headquarters)
- Apollo, Pennsylvania

Babcock & Wilcox Canada Ltd.

1. Products and services:
- Fossil and nuclear steam generating systems for Canadian and international markets
- Erects, repairs, services, and makes components for boilers
- Engages in general and heavy mechanical construction

2. Markets:
- Canadian and international utility and industrial sectors

3. Location:
- Cambridge, Ontario, Canada (headquarters)

International Operations

1. Products and services:
- Supplies B&W products and extended scope for turnkey projects
- Bids consortiums and joint venture projects
- Manages overseas projects
- Oversees worldwide boiler licensees

2. Markets:
- International utility and industrial sectors

3. Location:
- Barberton, Ohio (headquarters)

III Industrial Products and Services

Bailey Controls Company

1. Products and services:
- Microprocessor-based line of instrumentation for the process and other industries
- Network 90™ system providing a complete range of control, data acquisition, and operator interface functions
- Analog and digital, pneumatic, electronic, and direct digital control systems
- Large and small computer systems for use in data acquisition, reduction, display, and control
- Peripheral transmitters and control actuators for basic measurement or operation of flow, pressure, temperature, gas analysis and opacity, and control rod drives

2. Markets:
- Domestic and international process, utility, and other industries

3. Locations:
- Wickliffe, Ohio (headquarters and plant)
- Williamsport, Pennsylvania
- Burlington, Ontario, Canada
- Regents Park, New South Wales, Australia
- Sao Paulo, Brazil
- Shizuoka, Japan

Diamond Power Specialty Company

1. Products and services:
- Boiler and other heat transfer surface cleaning systems
- Boiler water level gauges
- Metallic reflective insulation

2. Markets:
- Domestic and international industries using boilers

3. Locations:
- Lancaster, Ohio (headquarters)
- Burlington, Ontario, Canada
- Bromma, Sweden
- Dumbarton, Scotland

Hudson Products Corporation

1. Products and services:
- Fin-Fan® heat exchangers using air for dissipation of process heat
- Tuf-Lite™ and Auto-Variable™ axial fans

2. Markets:
- Process and cooling tower industries

3. Locations:
- Houston, Texas (headquarters)
- Beasley, Texas

Insulating Products Division

1. Products and services:
- Firebrick, insulating firebrick, specialty refractories, ceramic fibers (Kaowool®), pre-fired ceramic shapes, and kaolin clays

2. Markets:
- Domestic and international utilities and other industries

3. Locations:
- Augusta, Georgia (headquarters)
- Hephzibah, Georgia
- Ponce, Puerto Rico
- Burlington, Ontario, Canada
- Rio de Janeiro, Brazil

TLT-Babcock, Inc.

1. Products and services:
- Axial fans, centrifugal fans
- Sound attenuation equipment

2. Markets:
- Electric utilities, mining, cement, steel, chemical and glass industries

3. Locations:
- Akron, Ohio (headquarters)
- Medina, Ohio

IV Tubular Products

1. Products and services:
- Seamless, carbon, stainless, and alloy tubing
- Welded carbon and alloy tubing
- Specialty oil- and gas-well tubing for shallow and deep applications
- Specialty alloy tubing for nuclear applications
- Extruded steel shapes

2. Markets:
- Oil and gas drilling and production, steam generating, rail transportation, automotive, farm equipment, metalworking, and chemical processing industries

3. Locations:
- Beaver Falls, Pennsylvania
- Ambridge, Pennsylvania
- Alliance, Ohio
- Milwaukee, Wisconsin
- Bryan, Texas

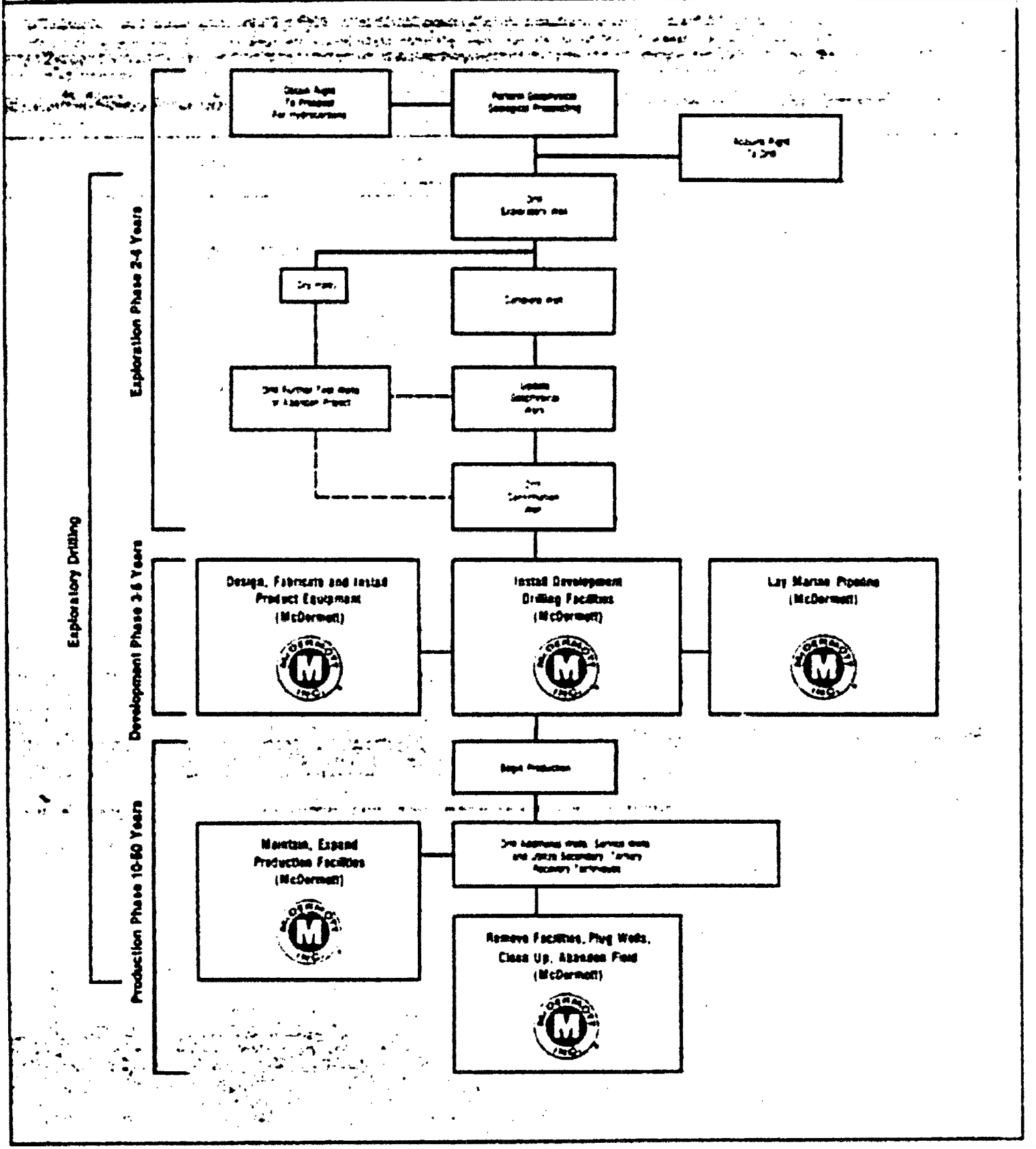
V Naval Nuclear Fuel Division

1. Products and services:
- Reactor cores for the U.S. Navy

2. Markets:
- U.S. Navy and other industries requiring precise machining

3. Location:
- Lynchburg, Virginia

"A Relative "Time Frame" for Offshore Production of Hydrocarbons



Thirty-Five Years of Platform Development

Offshore platform construction in the open waters of the Gulf of Mexico began in 1947 with the installation of the first steel template-type platform in 20 feet of water. A second platform in a water depth of 50 feet soon followed, and a new industry was born.

These first platforms were supported by a forest of piling due to the sizes of steel members being manufactured at that time and to the limited lifting capacity and boom length of the floating construction equipment. In 1949, the first derrick barge built for offshore use was commissioned, with a 150-ton lifting capacity on a 90- by 300-foot hull. By 1953, a second unit with 250-ton lifting capacity was also in service.

As construction techniques improved and better equipment became available, designs also improved. By the mid 1950's, the average size pile had increased to 30 inches (outside diameter). Fewer piles were required and a more open bracing pattern was used. The first platform in approximately 100 feet of water included three jackets of eight piles each with a deck size of 220 by 108 feet.

The next noticeable increase in water depth was in 1959 with the installation of a four-pile minimum tender platform in 206 feet of water. Two 250-ton derrick barges were required to lift the jacket from the cargo barge at location.

In 1965, a new generation of equipment was introduced with the construction of the first 500-ton derrick barge. Barges with more than 600-ton capacity are now being used throughout the world.

In the summer of 1967, a jacket was installed in record water depth of 340 feet. Due to its weight, the jacket was launched from a barge at location.

Today, most jackets are fabricated on their side, loaded onto cargo barges, then rotated to the vertical after being launched from the barge at location.

In 1975, McDermott installed a jacket in a record setting 474 feet of water, followed by 550 feet in 1976. In 1978, the mammoth Cognac structure was installed in 1,025 feet of water in the Gulf of Mexico. In June, 1981, the largest one-piece jacket, Cerveza, (968 feet tall) was fabricated, loaded out, and installed by McDermott in 935 feet of water. Construction of a launch barge 650 feet long was required to carry Cerveza to its installation site in the East Breaks field in the Gulf of Mexico. McDermott installed Cerveza Ligera, a lighter, streamlined version of the original Cerveza in May of 1982. With Cerveza Ligera, McDermott demonstrated its leadership and ability to consistently and successfully complete large-scale marine construction projects.

Since installing the first platform offshore in 20 feet of water, McDermott and its subsidiaries have, through increased technology and specially designed equipment, been able to meet the needs of the hydrocarbons industry as the search for oil and gas moved into deeper and deeper waters.

A History of Steam

Steam is the principal power generation medium through which heat is released and converted to usable energy. The heat needed to generate steam is produced by burning oil, gas, or coal or by splitting atoms. Today, steam is driving electric utility generators that are producing 75 percent of the world's electricity.

Steam also is a workhorse for industry and is part of the many industrial processes. It powers most of the ships of the world's navies and the greatest percentage of commercial shipping vessels. And buildings, both large and small, use steam for heating and cooling.

Producing steam takes heat from a reliable and controllable source — a boiler. Supplying boilers and related components and services has been the primary business of Babcock & Wilcox for more than 100 years.

Stephen Wilcox introduced his improved version of the watertube boiler in 1856. The basic features of his new invention permitted better water circulation and increased heating surface per unit. Of greater significance, the boiler was inherently safe — a departure from fire-tube boiler designs. Manufacture of this first safe boiler culminated many centuries of trial and error experimentation.

In 1866, George Herman Babcock became associated with Stephen Wilcox, and the first Babcock & Wilcox straight-tube boiler was patented a year later.

The partnership, prospering with its superior product, was incorporated as The Babcock & Wilcox Company in 1881. It was the same year that the first central station for generating electricity in the United States went into service — The Brush Electric Light Company of Philadelphia powered by four 73-horsepower B&W boilers.

New applications and markets for B&W's water-tube boiler grew rapidly after the turn of the century. B&W was in the forefront of boiler manufacturers for each application.

In 1902, the first New York subway was powered by B&W boilers. In 1903, 96 boilers rated at 509 horsepower were installed in the Fisk Street Station of the Commonwealth Edison Company, the first utility plant to use steam turbines exclusively for electric power generation.

During World War I, B&W built more than 1,500 boilers for the United States Navy and Merchant Marine, and in World War II more than 75 percent of the major United States combat and merchant vessels were equipped with B&W systems.

After World War II, B&W applied its skills to a new source of heat for generating steam — nuclear energy. The company, a leader in the development of marine applications for nuclear power, built and installed the nuclear reactor for the first nuclear-powered merchant ship, the *N.S. SAVANNAH*. Since then, B&W has engineered and fabricated nearly all of the nuclear steam generator components for the four existing United States nuclear-powered aircraft carriers, the *Enterprise*, *Nimitz*, *Eisenhower*, and *Vinson*. B&W is also the major supplier of nuclear steam systems for the Navy nuclear submarine program.

A milestone in the development of lower cost electricity was achieved in 1957 when the Ohio Power Company's Philo, Ohio, plant went on-line. The B&W coal-fired Universal Pressure Boiler achieved significant advances with its ability to respond rapidly to changes in load demand.

B&W has also been a major supplier for users of steam in industry. Pulp and paper, petrochemical, and primary metals industries are among the major customers using B&W industrial boilers designed to burn oil, coal, or natural gas. A large number of units also fire process wastes such as blast furnace gas, black liquor, peanut shells, bagasse, and even coffee grounds.

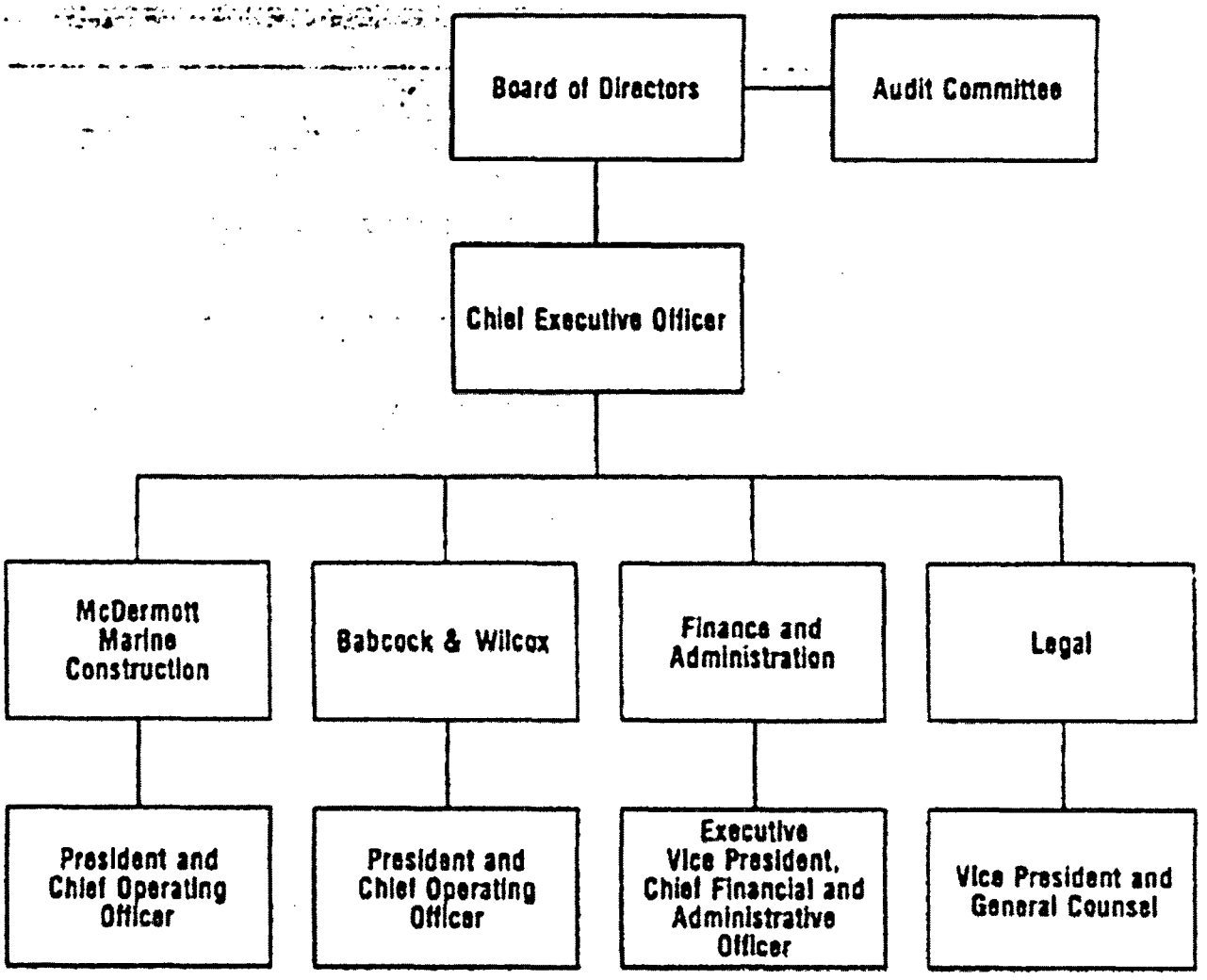
As demand for electricity has grown, B&W technology has kept pace with the increasing needs of its utility customers. B&W built a 1,300-megawatt, pulverized coal-fired plant for the Tennessee Valley Authority. The plant, the world's largest power station, went on-line in 1973. TVA has since purchased an additional 1,300-megawatt unit. Six similar B&W power plants have also been sold to American Electric Power.

A leader in the development of the commercial use of nuclear energy for generating electricity, today B&W nuclear steam systems can provide enough electrical power to serve the needs of six million people.

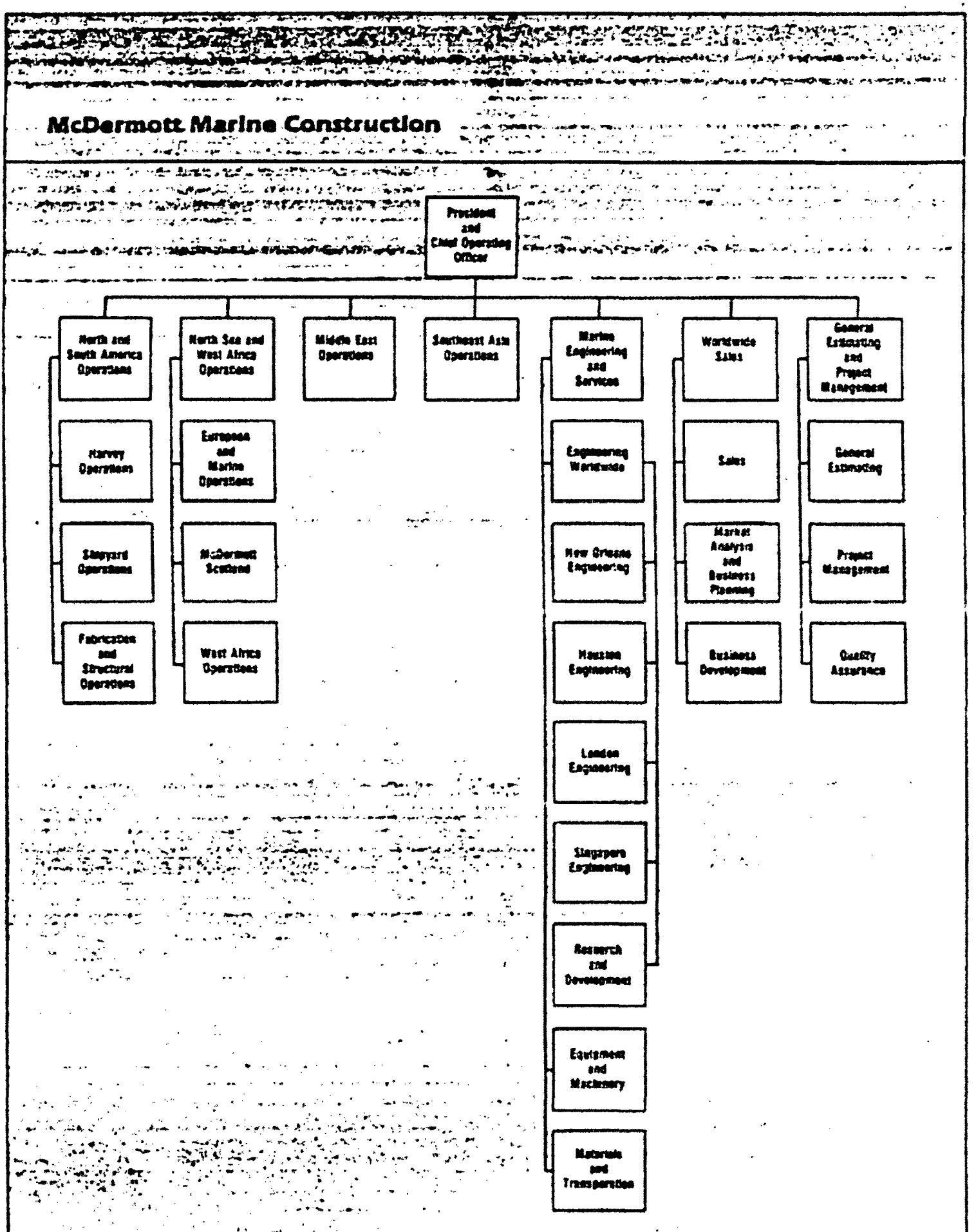
The company's research and development efforts are constantly studying new technologies for power generation. Solar powered electric plants and nuclear fusion, though years away from contributing significantly to our energy needs, are now part of B&W's ongoing research efforts. Others with equally complicated technological barriers show promise. One is magnetohydrodynamics (MHD), a system that uses a long-known but difficult to demonstrate principle to generate electric energy directly from the combustion of coal, supplementing the age old steam cycle.

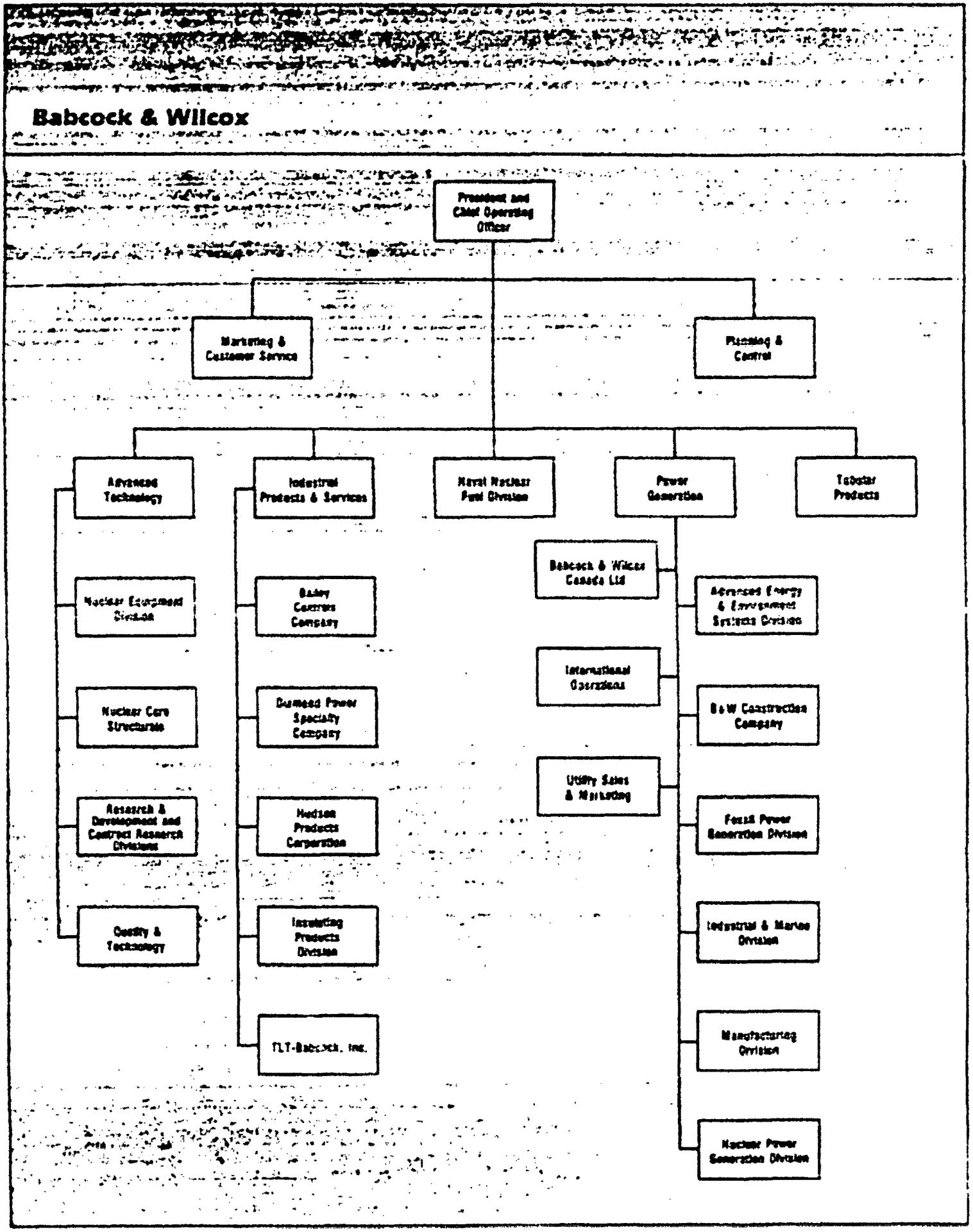
Whether MHD or any other technology proves to be a viable alternative method of generating power depends on whether the new energy conversion system compares favorably with current power generation system economics. B&W will help make this determination, using the skills developed from serving the needs of its customers since 1867.

Corporate Management



McDermott Marine Construction




Babcock & Wilcox
President and Chief Operating Officer
Marketing & Customer Service
Planning & Control
Advanced Technology
Industrial Products & Services
Naval Nuclear Fuel Division
Power Generation
Tubular Products
Nuclear Equipment Division
Nuclear Core Structures
Research & Development and Contract Research Divisions
Quality & Technology
Bailey Controls Company
Diamond Power Specialty Company
Hudson Products Corporation
Insulating Products Division
TLT-Babcock, Inc.
Babcock & Wilcox Canada Ltd
International Operations
Utility Sales & Marketing
Advanced Energy & Environment Systems Division
B&W Construction Company
Fossil Power Generation Division
Industrial & Marine Division
Manufacturing Division
Nuclear Power Generation Division

Acquisitions and Divestitures

As the Company expanded internally, additional growth was realized through carefully selected acquisitions that complemented its operations or allowed it to enter new, closely related fields. The overriding objective of all acquisitions is the desire to strengthen McDermott's capabilities to provide a broad range of energy services.

The Offshore Company

McDermott was one of the original stockholders of The Offshore Company since its founding in 1953. The company had become a major competitor in the deepwater drilling business. McDermott had decreased its interest in the company over the years. The decision to sell the remaining interest on April 1, 1971, was prompted by the disposition of Associated Pipeline Contractors, Inc., in exchange for a substantial stock interest in Reading & Bates Corporation (a competitor of The Offshore Company).

Associated Pipeline Contractors, Inc.

Associated was acquired in 1958 to supplement domestic services and provide expansion possibilities through the foreign subsidiaries. The firm engaged in the laying of large diameter, cross-country oil and gas transmission lines. In 1969, Associated was sold to Reading & Bates in exchange for 2,202,479 shares of Reading & Bates common stock.

Dupont Fabricators

Dupont was acquired in 1959 to supplement existing fabrication facilities in Morgan City, Louisiana.

Various Tugboat Companies

In 1964, four tugboat companies were purchased to ensure the availability of one of the primary elements of offshore work.

"Dick" Evans, Inc.

Acquired in 1966, the firm specialized in underwater construction, repairs, salvage operations, and submarine television systems.

TransOcean Oil, Inc.

In 1968, the oil exploration and production operations conducted by McDermott Oil Division were transferred to a newly formed company, TransOcean Oil, Inc. On July 17, 1968, a distribution was made to the stockholders of McDermott of 5 percent of the common stock of TransOcean as a dividend-in-kind. The remaining 95 percent was distributed on April 28, 1970. The primary consideration for the divestiture of TransOcean Oil was the decision to devote all financial and management resources to the development stage rather than the exploration for oil and gas.

Wagley Construction, Inc.

This oil field construction and service firm was acquired in 1969 to provide complete construction services in Alaska, particularly on the North Slope. The assets of the company were sold in 1973.

Hudson Engineering Corporation

A major expansion of McDermott's line of services was achieved in 1969 when the Company acquired all of the stock of Hudson Engineering Corporation and its subsidiaries.

Ingram Corporation

In November 1971, McDermott purchased Ingram Corporation's foreign equipment, and the Company's operations were expanded into three new areas: Australia, Trinidad, and Brazil.

The Babcock & Wilcox Company

March 31, 1978 marked the successful beginning of the planned broadening of the Company's operating base. Babcock & Wilcox is a leader in the design and manufacture of steam generating and associated equipment. This acquisition expanded the Company's activities from its traditional role as a service company to the offshore oil and gas industry into a new role as a broad-based energy services company.

Netherlands Offshore Company

In September 1979, the assets of the Netherlands Offshore Company were acquired for cash. Included in the purchase were a self-propelled, semisubmersible derrick barge and three self-propelled combination derrick-pipelaying ships. The three derrick-pipelaying ships were subsequently transferred to a newly-formed Mexican joint venture in which McDermott has a 49 percent interest.

Viking Piper

In January 1981, McDermott acquired the semisubmersible pipelaying barge *Viking Piper* from Santa Fe International Corporation. Renamed *Lay Barge 200*, this largest pipelaying barge in the world is currently on assignment in the North Sea.

Control Components International

In July 1981, McDermott sold Control Components International, a division of Babcock & Wilcox specializing in the design, manufacture, and sale of specialized process control valves for the energy and hydrocarbon processing industries, to IMI.

Nucermet

In July 1981, McDermott sold the assets of its Nucermet product line, a part of Babcock & Wilcox's Automated Machine Division specializing in ceramic cutting tools, to the Greenleaf Corporation.

Belfab

In August 1981, McDermott sold Babcock & Wilcox's Belfab unit, specializing in the production of welded metal bellows and in-core detectors for nuclear power plants, to Pacific Scientific Company.

Advanced Composites

In November 1981, McDermott sold the Advanced Composites department, a part of Babcock & Wilcox's Industrial Products and Services group, to Dresser Industries, Inc. The Advanced Composites department produces high-performance fiber-composite ball valves and several specialty products based on graphite-fiber-reinforced plastics for computer and copying equipment.

Automated Machine Division

In April 1982, McDermott sold the Automated Machine Division of its Babcock & Wilcox subsidiary to Acme Precision Products.

Important Financial Events

April 15, 1946
Incorporated in Delaware.

June 29, 1954
First public offering.

January 30, 1958
Listed on the New York Stock Exchange.

February 26, 1959
Ten percent stock dividend.

March 15, 1960
Ten percent stock dividend.

March 15, 1961
Two percent stock dividend.

March 15, 1962
Three-for-two stock split.

October 9, 1964
Borrowed $30 million principal amount at 4¾% due November 1, 1984. Prepaid in June 1973.

March 3, 1967
Three-for-two stock split.

August 23, 1972
Sold $60 million principal amount of 4¼% Convertible Subordinated Debentures due 1997. Called for redemption in December 1973.

October 12, 1972
Sold $30 million principal amount of 4¼% Convertible Subordinated Debentures due October 15, 1987.

June 15, 1973
Borrowed $60 million principal amount at 7.30% due June 15, 1998.

December 27, 1974
Sold $50 million principal amount of 9.70% Sinking Fund Debentures due December 1, 1999, and $35 million principal amount of 8.90% Notes due December 1, 1984.

June 20, 1975
Two-for-one stock split.

April 6, 1977 through May 13, 1977
Acquired 1,205,600 shares of The Babcock & Wilcox Company in open market transactions at an average price of $42.76 per share.

August 10, 1977
Tender offer was commenced to acquire up to 4,300,000 shares of Babcock & Wilcox at $55.00 per share.

August 19, 1977
Tender offer was amended to provide a net cash price of $60.00 per share for 4,300,000 shares.

August 23, 1977
Tender offer was amended to provide a net cash price of $62.50 per share for 4,300,000 shares.

August 25, 1977
Tender offer was amended to provide that the full amount of a $2.50 per share special dividend declared by Babcock & Wilcox be paid to tendering stockholders, and the number of shares to be purchased be increased to 4,800,000.

December 15, 1977
Two-for-one stock split.

March 31, 1978
Acquired the remaining outstanding shares of Babcock & Wilcox in exchange for 6,317,545 shares of Series A $2.20 Cumulative Convertible Preferred Stock and 6,317,545 shares of Series B $2.60 Cumulative Preferred Stock. The total cost of the acquisition, accounted for as a purchase, was approximately $748,000,000, including expenses.

December 19, 1978
Privately placed $20 million principal amount of 9 ⅛% Promissory Notes due December 1, 1981.

January 23, 1979
Sold $17 million principal amount of 6.80% Pollution Control Revenue Bonds due February 1, 2009.

March 21, 1979
Sold $150 million principal amount of 9 ⅝% Sinking Fund Debentures due March 15, 2004.

March 5, 1980
Sold 4 million shares of common stock at $31.625 per share. The proceeds, which amounted to $121.5 million, were used to repay outstanding indebtedness to banks under a revolving and term loan agreement, and for working capital and other general corporate purposes.

Financial Definitions

Revenues and Cost of Operations
Contract revenues and related costs for marine construction services and power generation systems and equipment are principally recognized on a percentage of completion method.

Selling, General and Administrative Expense
Expenses incurred in connection with management, administration, sales promotion and general office overhead. Also includes current provision for supplemental compensation.

Other Income (Expense)
Includes interest income, interest expense, gain from sale of assets, minority interests' share in net loss (income) of subsidiaries, equity in earnings of joint venture companies, discounts earned, dividend income, insurance refunds, foreign exchange gain or loss, miscellaneous income and expense, discounts allowed and royalties, etc.

Total Common Stock and Other Stockholders' Equity
Equal to common stock, capital in excess of par value and retained earnings, net of cost of common stock in treasury and unamortized deferred career executive stock plan expense.

Working Capital
Current assets minus current liabilities.

Current Ratio
Current assets divided by current liabilities.

Quick Ratio
Funds readily available for paying current obligations (i.e., current assets minus contracts in progress, inventories, and prepaid expenses) divided by current liabilities.

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Financial Highlights

In Thousands of Dollars Except Shares, Per Share Amounts and Employees

FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979
STATEMENT OF INCOME:				
Revenues	$ 4,843,186	$ 3,639,698	$ 3,167,059	$ 3,144,564
Net income	$ 213,449	$ 99,561	$ 90,821	$ 92,957
Net income as a percent of revenues	4.4%	2.6%	2.9%	3.0%
Weighted average common and common equivalent shares outstanding (in millions)[1]	36.9	36.7	32.7	32.4
Weighted average common and common equivalent shares outstanding, assuming full dilution (in millions)[1,2]	43.3	36.9	33.0	32.7
Earnings per common share:[1]				
Primary	$ 4.98	$ 1.89	$ 1.85	$ 1.94
Fully diluted[2]	$ 4.56	$ 1.88	$ 1.84	$ 1.92
BALANCE SHEET:				
Net working capital	$ 800,534	$ 704,138	$ 879,405	$ 862,598
Net property, plant and equipment	$ 1,197,628	$ 1,177,478	$ 1,025,841	$ 920,744
Total assets	$ 4,030,032	$ 3,906,261	$ 3,541,912	$ 3,300,942
Notes payable to banks and current maturities of long-term debt	$ 39,347	$ 116,745	$ 29,540	$ 20,427
Long-term debt less current maturities	$ 418,492	$ 434,071	$ 468,110	$ 487,123
Convertible subordinated debt	$ 767	$ 2,326	$ 3,743	$ 5,524
Redeemable preferred stock	$ 393,763	$ 394,192	$ 394,468	$ 394,507
Total common stock and other stockholders' equity	$ 1,174,558	$ 1,047,680	$ 1,026,628	$ 872,153
GENERAL:				
Cash dividends declared per common share[1]	$ 1.65	$ 1.45	$ 1.25	$ 1.00
Cash dividends declared per preferred share:				
Series A	$ 2.20	$ 2.20	$ 2.20	$ 2.20
Series B	$ 2.60	$ 2.60	$ 2.60	$ 2.60
Average common stockholders' equity	$ 1,111,119	$ 1,037,154	$ 949,391	$ 854,374
Return on average common stockholders' equity	19.2%	9.6%	9.6%	10.9%
Stockholders' equity per common share[1]	$ 31.92	$ 28.58	$ 27.90	$ 27.09
Common stock price:[1]				
High	$ 41 7/8	$ 46 3/8	$ 36 1/2	$ 31 1/2
Low	$ 21 1/4	$ 22 1/8	$ 15 7/8	$ 18 3/4
Preferred stock price:				
Series A-high	$ 41 3/8	$ 47 1/2	$ 38 3/4	$ 35 3/4
low	$ 22	$ 25 3/8	$ 21 1/4	$ 25 1/2
Series B-high	$ 21 1/4	$ 27 1/2	$ 29 1/4	$ 32 1/8
low	$ 16 3/4	$ 17 1/2	$ 17 1/2	$ 23 1/4
STATISTICS:				
Backlog	$ 3,235,404	$ 5,212,546	$ 4,934,000	$ 4,900,000
Capital expenditures	$ 167,018	$ 272,377	$ 257,005	$ 131,926
Number of employees including subcontract labor	59,000	59,000	58,000	61,000

[1] Adjusted for two-for-one stock splits effective June 20, 1978 and December 15, 1977.

[2] Includes only computations which cause dilution. If calculated assuming complete conversion into common stock of Series A $2.20 Cumulative Convertible Preferred Stock, antidilution would have occurred in 1981, 1980 and 1979.

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

1978	1977	1976	1975	1974	1973	1972
$ 1,293,711	$ 1,223,841	$ 1,102,078	$ 742,825	$ 425,756	$ 358,399	$ 321,509
$ 159,092	$ 191,642	$ 160,184	$ 76,447	$ 31,998	$ 17,175	$ 19,115
12.3%	15.7%	14.5%	10.3%	7.5%	4.8%	5.9%
31.7	31.3	31.2	30.9	27.9	26.9	26.9
32.4	32.4	32.4	32.1	32.0	29.6	26.9
$ 5.02	$ 6.11	$ 5.13	$ 2.47	$ 1.15	$ .64	$ .71
$ 4.92	$ 5.93	$ 4.95	$ 2.39	$ 1.04	$ .62	$ .71
$ 810,487	$ 453,714	$ 249,852	$ 174,209	$ 99,603	$ 59,899	$ 74,128
$ 891,581	$ 466,149	$ 465,963	$ 388,350	$ 279,138	$ 231,011	$ 185,399
$ 3,182,807	$ 1,376,005	$ 1,119,999	$ 646,910	$ 577,396	$ 446,648	$ 369,821
$ 12,106	$ 2,328	$ 10,415	$ 30,163	$ 43,282	$ 32,459	$ 7,819
$ 472,472	$ 149,887	$ 150,435	$ 185,523	$ 81,465	$ 111,047	$ 92,459
$ 6,960	$ 16,191	$ 18,825	$ 19,940	$ 20,880	$ 90,000	—
$ 394,847	—	—	—	—	—	—
$ 836,592	$ 695,442	$ 517,664	$ 368,136	$ 298,952	$ 206,258	$ 195,510
$ .90	$ .575	$ .425	$ .30	$ .2625	$ .25	$ .25
—	—	—	—	—	—	—
—	—	—	—	—	—	—
$ 766,017	$ 606,553	$ 442,900	$ 333,544	$ 252,605	$ 200,884	$ 188,658
20.8%	31.6%	36.2%	22.9%	12.7%	8.5%	10.1%
$ 26.15	$ 22.12	$ 16.54	$ 11.79	$ 9.74	$ 7.66	$ 7.22
$ 29⅞	$ 27⅝	$ 27⅛	$ 21¾	$ 26¾	$ 20	$ 11¼
$ 21½	$ 21⅛	$ 16¾	$ 12⅛	$ 13⅛	$ 9¾	$ 7⅛
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
$ 5,300,000	$ 1,291,000	$ 1,813,000	$ 1,660,000	$ 1,002,000	$ 452,000	$ 235,000
$ 84,975	$ 63,657	$ 131,773	$ 151,101	$ 79,286	$ 73,156	$ 79,223
59,000	19,364	20,953	18,350	12,536	7,811	7,800

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Consolidated Statement of Income

In Thousands of Dollars Except Shares and Per Share Amounts

FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979
Revenues	$ 4,843,186	$ 3,839,698	$ 3,167,059	$ 3,144,564
Costs and Expenses:				
Cost of operations	$ 3,977,476	$ 3,235,309	$ 2,687,465	$ 2,600,274
Depreciation and amortization	140,076	126,222	111,803	111,365
Selling, general and administrative expenses	304,165	302,546	260,562	247,621
Provision for supplemental compensation	11,202	2,645	622	3,254
	$ 4,432,919	$ 3,666,722	$ 3,060,452	$ 2,962,514
Operating income	$ 410,267	$ 172,976	$ 106,607	$ 182,050
Other Income (Expense):				
Interest income	$ 77,830	$ 72,691	$ 49,205	$ 54,826
Interest expense	(54,583)	(59,820)	(46,633)	(52,223)
Gain from sale of assets	16,651	20,553	5,607	1,116
Other	(45,191)	(6,171)	36,206	6,519
Minority interests' share in net loss (income) of subsidiaries	(1,780)	(734)	(2,283)	461
Equity in earnings of joint venture companies	17,715	12,426	8,784	9,969
	$ 10,642	$ 38,945	$ 48,586	$ 20,568
Income Before Provision for Income Taxes and Extraordinary Gain	$ 420,909	$ 211,921	$ 155,493	$ 202,718
Provision for Income Taxes	207,460	112,360	64,672	109,761
Extraordinary Gain (Loss):				
Foreign tax benefit from operating loss carry forward and cumulative effects of accounting change	—	—	—	—
Net Income	$ 213,449	$ 99,561	$ 90,821	$ 92,957
Weighted Average Common and Common Equivalent Shares Outstanding[1]	36,888,332	36,676,279	32,745,544	32,366,019
Weighted Average Common and Common Equivalent Shares Outstanding, Assuming Full Dilution[1,2]	43,282,857	36,864,025	33,046,940	32,730,974
Earnings per Common and Common Equivalent Share:[1]				
Primary	$ 4.98	$ 1.89	$ 1.85	$ 1.94
Fully diluted[2]	$ 4.56	$ 1.88	$ 1.84	$ 1.92
Operating Margin	8.5%	4.5%	3.4%	5.8%
Interest Coverage	7.5x	2.9x	2.2x	3.5x
Pre-tax Margin	8.7%	5.5%	4.9%	6.4%
Effective Tax Rate	49.3%	53.0%	41.6%	53.9%

[1] Adjusted for two-for-one stock splits effective June 20, 1975 and December 15, 1977.
[2] Includes only computations which cause dilution. If calculated assuming complete conversion into common stock of Series A $2.20 Cumulative Convertible Preferred Stock, antidilution would have occurred in 1981, 1980 and 1979.

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

1978	1977	1976	1975	1974	1973	1972
$ 1,293,711	$ 1,223,841	$ 1,102,078	$ 742,825	$ 425,756	$ 358,399	$ 321,509
$ 901,696	$ 793,928	$ 734,574	$ 553,304	$ 307,673	$ 274,733	$ 269,626
67,614	63,004	52,444	35,723	28,473	24,036	18,590
119,714	98,640	77,357	58,066	42,588	32,160	25,628
6,919	8,638	7,421	2,450	605	216	105
$ 1,095,943	$ 964,210	$ 871,796	$ 649,543	$ 379,339	$ 331,145	$ 313,949
$ 197,768	$ 259,631	$ 230,282	$ 93,282	$ 46,417	$ 27,254	$ 7,560
$ 34,124	$ 21,824	$ 13,763	—	—	—	—
(26,887)	(16,157)	(22,068)	$ (15,972)	$ (8,679)	$ (5,974)	$ (4,146)
914	123	558	151	409	42	248
10,782	(5,317)	(2,704)	11,069	7,404	7,496	6,289
(532)	(753)	417	36	(20)	(6)	—
23,918	2,275	1,453	2,098	1,668	647	330
$ 42,319	$ 1,995	$ (8,581)	$ (2,618)	$ 782	$ 2,205	$ 2,721
$ 240,087	$ 261,626	$ 221,701	$ 90,664	$ 47,199	$ 29,459	$ 10,281
80,995	70,116	66,427	14,217	12,178	12,554	2,128
—	132	4,910	—	(3,023)	270	10,962
$ 159,092	$ 191,642	$ 160,184	$ 76,447	$ 31,998	$ 17,175	$ 19,115
31,670,923	31,342,492	31,247,192	30,891,736	27,852,508	26,928,184	26,884,332
32,428,971	32,415,262	32,416,874	32,117,748	31,949,916	29,578,512	26,884,332
$ 5.02	$ 6.11	$ 5.13	$ 2.47	$ 1.15	$ .64	$ .71
$ 4.92	$ 5.93	$ 4.95	$ 2.39	$ 1.04	$ .62	$ .71
15.3%	21.2%	20.9%	12.6%	10.9%	7.6%	2.4%
7.4x	16.1x	10.4x	5.8x	5.3x	4.6x	1.8x
18.6%	21.4%	20.1%	12.2%	11.1%	8.2%	3.2%
33.7%	26.8%	30.0%	15.7%	25.8%	42.6%	20.7%

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Consolidated Balance Sheet

In Thousands of Dollars FOR THE FISCAL YEARS ENDED MARCH 31,	1982	1981 (Restated)	1980 (Restated)	1979
ASSETS				
Current Assets:				
Cash	$ 26,865	$ 14,988	$ 38,280	$ 19,752
Short-term investments, at cost	507,594	431,867	465,867	521,112
Accounts and notes receivable—trade	997,265	831,593	658,587	572,499
Other accounts and notes receivable	13,210	85,953	66,479	31,560
Contracts in progress	407,181	513,769	352,389	280,420
Inventories	367,797	361,805	422,349	392,093
Prepaid expenses	11,993	10,106	14,869	10,083
Total current assets	$ 2,331,935	$ 2,250,083	$ 2,038,840	$ 1,927,519
Long-term Note Receivable—unconsolidated joint venture company	$ 9,269	$ 19,427	$ 29,669	—
Investments, Advances, etc.:				
Long-term notes receivable	$ 6,847	$ 4,629	$ 16,554	$ 16,123
Investments, at cost	270	1,006	1,286	1,484
Investments in joint venture companies, at equity	30,882	24,967	17,830	12,398
Advances, etc.	—	—	—	—
Total investments, advances, etc.	$ 47,266	$ 30,602	$ 35,670	$ 30,005
Property, Plant and Equipment, at Cost	$ 1,926,204	$ 1,803,544	$ 1,553,774	$ 1,361,090
Less accumulated depreciation and amortization	728,576	626,066	527,933	440,346
Property, plant and equipment—net	$ 1,197,628	$ 1,177,478	$ 1,025,841	$ 920,744
Excess of Cost Over Fair Value of Net Assets of Purchased Businesses Less Amortization	$ 338,782	$ 348,018	$ 357,253	$ 379,404
Deferred Charges and Other Assets	$ 105,150	$ 80,653	$ 44,639	$ 43,270
Total	$ 4,030,032	$ 3,906,261	$ 3,541,912	$ 3,300,942

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

1978	1977	1976	1975	1974	1973	1972
$ 22,842	$ 5,231	$ 16,040	$ 17,082	$ 3,692	$ 731	$ 9,622
595,150	527,291	201,356	58,160	31,319	29,462	25,469
502,460	246,177	262,453	200,614	121,560	89,128	62,907
32,831	11,475	23,567	44,748	23,306	2,728	532
284,021	32,250	40,496	18,635	42,637	18,122	14,478
372,135	50,969	77,004	90,350	43,817	26,329	23,302
12,354	5,789	5,849	2,947	4,143	3,952	3,476
$ 1,821,783	$ 879,182	$ 626,765	$ 432,536	$ 270,474	$ 169,452	$ 139,786
—	—	—	—	—	—	—
$ 148	$ 258	$ 388	$ 582	$ 3,014	$ 22,548	$ 23,556
1,255	884	1,266	1,652	1,633	3,144	2,314
19,906	11,912	7,789	5,297	5,142	—	—
—	814	864	400	437	1,336	1,097
$ 21,309	$ 13,868	$ 10,307	$ 7,931	$ 10,226	$ 27,028	$ 26,967
$ 1,238,607	$ 754,789	$ 693,974	$ 567,195	$ 428,158	$ 355,402	$ 288,663
347,226	288,640	228,011	178,845	149,020	124,391	103,264
$ 891,581	$ 466,149	$ 465,963	$ 388,350	$ 279,138	$ 231,011	$ 185,399
$ 403,320	$ 6,252	$ 6,252	$ 6,252	$ 6,252	$ 6,936	$ 7,274
$ 44,814	$ 10,554	$ 10,712	$ 11,841	$ 11,306	$ 12,221	$ 10,395
$ 3,182,807	$ 1,376,005	$ 1,119,999	$ 846,910	$ 577,396	$ 446,648	$ 369,821

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Consolidated Balance Sheet

In Thousands of Dollars

FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Notes payable to banks and current maturities of long-term debt	$ 39,347	$ 116,784	$ 29,840	$ 20,425
Accounts payable and accrued liabilities	901,654	768,535	674,320	655,139
Advance billings on contracts	364,962	407,022	291,323	262,518
U.S. and foreign income taxes	225,438	253,604	163,952	126,839
Total current liabilities	$ 1,531,401	$ 1,545,945	$ 1,159,435	$ 1,064,921
Other Liabilities:				
Deferred and non-current income taxes	$ 373,329	$ 356,362	$ 382,716	$ 381,523
Accrued liabilities for losses and damages	74,407	70,438	46,020	25,368
Supplemental compensation plan and other deferred credits	17,867	11,204	14,709	20,906
Reserve for drydocking costs and pipeline property losses	7,608	5,458	4,993	7,396
Other	30,672	33,504	36,336	39,168
Total other liabilities	$ 503,883	$ 476,966	$ 484,774	$ 474,361
Minority Interests	$ 7,168	$ 5,081	$ 4,754	$ 2,351
Long-term Debt	$ 419,259	$ 436,397	$ 471,853	$ 492,647
Redeemable Preferred Stock	$ 393,763	$ 394,192	$ 394,468	$ 394,507
Common Stock and Other Stockholders' Equity:				
Common stock	$ 37,110	$ 36,979	$ 36,765	$ 32,523
Capital in excess of par value	262,004	258,996	254,521	133,038
Retained earnings	881,760	758,792	742,534	714,883
Less: Cost of common stock in treasury	(2,800)	(2,912)	(2,871)	(2,871)
Unamortized deferred career executive stock plan expense	(3,516)	(4,175)	(4,324)	(5,418)
Total common stock and other stockholders' equity	$ 1,174,558	$ 1,047,680	$ 1,026,628	$ 872,155
Total	$ 4,030,032	$ 3,906,261	$ 3,541,912	$ 3,300,942

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

1978	1977	1976	1975	1974	1973	1972
$ 12,108	$ 2,328	$ 10,415	$ 30,163	$ 43,282	$ 32,459	$ 7,819
599,667	245,827	209,456	109,566	54,076	41,944	28,197
278,530	173,991	152,328	93,574	54,457	24,462	17,385
120,991	3,322	4,714	25,024	19,056	10,688	12,257
$ 1,011,296	$ 425,468	$ 376,913	$ 258,327	$ 170,871	$ 109,553	$ 65,658
$ 372,798	$ 57,586	$ 35,774	$ 22,824	$ 20,912	$ 18,504	$ 14,670
15,963	10,037	7,077	3,839	(361)	—	—
22,422	17,138	9,853	3,306	1,461	1,266	1,524
3,998	3,319	3,271	3,951	4,056	—	—
42,500	—	—	—	—	—	—
$ 457,681	$ 88,080	$ 55,975	$ 33,920	$ 26,068	$ 19,770	$ 16,194
$ 2,959	$ 937	$ 166	$ 4	$ 40	$ 20	—
$ 479,432	$ 166,078	$ 169,259	$ 186,523	$1 81,465	$ 111,047	$ 92,459
$ 394,847	—	—	—	—	—	—
$ 32,307	$ 15,878	$ 15,796	$ 7,881	$ 7,747	$ 6,806	$ 6,805
129,305	136,762	134,011	140,778	130,115	63,598	63,349
684,353	553,832	380,227	233,326	166,168	141,550	131,108
(2,681)	(2,517)	(2,401)	(2,176)	(2,028)	(2,028)	(1,803)
(6,892)	(8,513)	(9,969)	(11,673)	(3,050)	(3,668)	(3,949)
$ 836,592	$ 695,442	$ 517,664	$ 368,136	$ 298,952	$ 206,258	$ 195,510
$ 3,182,807	$ 1,376,005	$ 1,119,999	$ 846,910	$ 577,396	$ 446,648	$ 369,821

McDermott
Incorporated

Consolidated Statement of Common Stock and Other Stockholders' Equity

In Thousands of Dollars

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Career Executive Stock Plan	Total Common Stock and Other Stockholders' Equity
Balance at March 31, 1980	$ 36,768	$ 254,521	$ 742,534	(82,871)	(84,324)	$ 1,026,628
Additions to Capital in Excess of Par Value:						
Excess of principal amount of debentures over par value on conversion	–	1,313	–	–	–	1,313
Excess of market value of cumulative preferred stock over par value on conversion	–	267	–	–	–	267
Excess of market value of stock over par value on exercise of stock option	–	1,561	–	–	–	1,561
Excess of market value over par value of shares issued in connection with career executive stock plan	–	1,314	–	–	–	1,314
Amortization of Career Executive Stock Plan Expense	–	–	–	–	149	149
Common Stock Issued:						
Purchase of treasury shares	–	–	–	(41)	–	(41)
Conversion of debentures	85	–	–	–	–	85
Conversion of redeemable preferred stock	9	–	–	–	–	9
Exercise of stock options	60	–	–	–	–	60
Career executive stock plan	37	–	–	–	–	37
Cash Dividends Paid on Preferred Stock	–	–	(30,290)	–	–	(30,290)
Cash Dividends Paid on Common Stock	–	–	(53,013)	–	–	(53,013)
Net Income for the Year	–	–	99,561	–	–	99,561
Balance at March 31, 1981	$ 36,979	$ 256,996	$ 758,792	(82,912)	(84,175)	$ 1,047,680
Additions to Capital in Excess of Par Value:						
Excess of principal amount of debentures over par value on conversion	–	1,449	–	–	–	1,449
Excess of market value of cumulative preferred stock over par value on conversion	–	415	–	–	–	415
Excess of market value of stock over par value on exercise of stock option	–	1,144	–	–	–	1,144
Amortization of Career Executive Stock Plan Expense	–	–	–	–	659	659
Common Stock Issued:						
Sale of treasury shares	–	–	–	112	–	112
Conversion of debentures	93	–	–	–	–	93
Conversion of redeemable preferred stock	14	–	–	–	–	14
Exercise of stock options	24	–	–	–	–	24
Cash Dividends Paid on Preferred Stock	–	–	(29,360)	–	–	(29,360)
Cash Dividends Paid on Common Stock	–	–	(60,621)	–	–	(60,621)
Net Income for the Year	–	–	213,449	–	–	213,449
Balance at March 31, 1982	$ 37,110	$ 262,004	$ 881,760	(82,800)	(83,516)	$ 1,174,556

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

McDermott
incorporated

Consolidated Statement of Changes In Financial Position

In Thousands of Dollars

FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979	1978
SOURCE OF FUNDS:					
Operations:					
Net income	$ 213,449	$ 99,561	$ 90,821	$ 92,957	$ 159,092
Charges (credits) not affecting working capital:					
Depreciation and amortization	140,076	126,222	111,803	111,365	67,614
Deferred income taxes	55,190	42,692	44,861	100,205	10,444
Equity in earnings of joint venture companies net of dividends	(5,914)	(7,450)	(732)	7,952	(23,165)
Other-net	10,585	18,873	8,622	5,712	14,168
Working capital provided from operations	$ 413,386	$ 279,998	$ 275,375	$ 321,191	$ 228,170
Extraordinary gain	—	—	—	—	—
Issuance of common stock	3,139	4,686	125,728	3,749	9,172
Issuance of preferred stock	—	—	—	—	334,647
Proceeds from sale and exchange of property, plant and equipment	31,352	2,782	58,320	3,412	3,162
Long-term borrowing (including fluctuations under the revolving credit agreement)	170,000	131,357	189,976	405,318	275,000
Non-current liabilities of B&W, principally long-term debt and non-current income taxes	—	—	—	—	195,358
	$ 617,877	$ 418,723	$ 649,399	$ 733,670	$ 1,405,709
APPLICATION OF FUNDS:					
Additions to property, plant and equipment	$ 167,016	$ 272,377	$ 257,005	$ 131,026	$ 54,973
Reduction of long-term debt (including fluctuations under the revolving credit agreement)	187,138	166,813	210,770	392,103	108,602
Reduction of deferred and non-current income taxes	38,223	69,046	63,921	91,480	—
Cash dividends	90,481	83,303	70,684	62,427	28,571
Non-current assets of B&W, principally property, plant and equipment	—	—	—	—	426,675
Increase (decrease) in note receivable-unconsolidated joint venture company	(10,158)	(10,242)	29,669	—	—
Conversion of preferred stock	429	276	39	340	—
Excess of cost over fair value of net assets of B&W	—	—	—	—	399,764
Other-net	48,350	12,417	6,272	4,183	349
	$ 521,481	$ 393,990	$ 640,360	$ 681,559	$ 1,048,936
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 96,396	$ (175,267)	$ 9,039	$ 52,111	$ 356,773
CHANGES IN COMPONENTS OF WORKING CAPITAL:					
Increase (decrease) in current assets:					
Cash and short-term investments	$ 87,604	$ (77,292)	$ (116,717)	$ 22,872	$ 85,470
Accounts and notes receivable	92,957	192,482	121,007	68,778	277,829
Contracts in progress	(106,558)	161,380	78,182	(3,601)	251,771
Inventories	5,992	(60,544)	30,256	19,958	321,166
Prepaid expenses	1,687	(4,783)	4,506	(2,271)	6,565
	$ 81,682	$ 211,243	$ 117,534	$ 105,736	$ 942,801
Increase (decrease) in current liabilities:					
Notes and accounts payable and accrued liabilities	$ 49,491	$ 191,178	$ 25,225	$ 28,621	$ 366,204
Advance billings on contracts	(42,040)	115,699	47,538	(16,012)	104,339
Provision for warranty expense	6,072	(13,316)	(31)	27,544	19,391
U.S. and foreign income taxes	(28,166)	89,652	32,363	5,846	31,985
Dividends payable	2,119	3,296	3,300	7,624	1,710
	$ (14,544)	$ 386,510	$ 108,495	$ 53,625	$ 585,928
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 96,396	$ (175,267)	$ 9,039	$ 52,111	$ 356,773

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

McDermott
incorporated

Financial Ratios

FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979
Operating Ratios:				
Net income to revenues	4.4%	2.6%	2.9%	3.0%
Operating income to revenues	8.5%	4.5%	3.4%	5.8%
Selling, general and administrative expenses to revenues	6.3%	7.9%	8.2%	8.0%
Year-to-year growth (decline) in:				
Revenues	26.1%	21.2%	0.7%	143.1%
Operating income	137.2%	62.3%	(41.4%)	(7.9%)
Net income	114.4%	9.6%	(2.3%)	(41.6%)
Assets-Liabilities Ratios:				
Current ratio	1.5x	1.5x	1.6x	1.6x
Quick ratio	1.0x	0.9x	1.1x	1.2x
Inventory to working capital	45.9%	51.4%	48.0%	45.5%
Trade receivables to working capital	124.6%	118.1%	74.9%	66.4%
Fixed assets to total common stock and other stockholders' equity	102.0%	112.4%	100.0%	105.6%
Long-term debt to total common stock and other stockholders' equity	35.7%	41.7%	46.0%	56.5%
Total liabilities to total common stock and other stockholders' equity	243.1%	272.8%	245.0%	273.5%
Return and Usage Ratios:				
Revenues on capital employed	238.9%	192.5%	164.7%	176.7%
Operating return on total assets	10.2%	4.4%	3.0%	5.5%
Net return on total assets	5.3%	2.5%	2.6%	2.5%
Operating return on capital employed	20.2%	8.7%	5.5%	10.2%
Net return on capital employed	10.5%	5.0%	4.7%	5.2%
Operating return on total common stock and other stockholders' equity	34.9%	16.5%	10.4%	20.9%
Net return on total common stock and other stockholders' equity	18.2%	9.5%	8.8%	10.7%

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

1978	1977	1976	1975	1974	1973	1972
12.3%	15.7%	14.5%	10.3%	7.5%	4.8%	5.9%
15.3%	21.2%	20.9%	12.6%	10.9%	7.6%	2.4%
9.8%	8.8%	7.7%	8.1%	10.1%	9.0%	8.0%
5.7%	11.0%	48.4%	74.5%	18.8%	11.5%	35.0%
(23.8%)	12.7%	146.9%	101.0%	70.3%	260.5%	6.4%
(17.0%)	19.6%	109.5%	138.9%	86.3%	(10.1%)	181.4%
1.8x	2.1x	1.7x	1.7x	1.6x	1.5x	2.1x
1.1x	1.9x	1.4x	1.3x	1.1x	1.2x	1.7x
46.0%	11.2%	29.7%	49.0%	39.8%	37.5%	27.6%
62.1%	54.3%	101.3%	108.7%	110.6%	126.9%	74.5%
106.6%	67.0%	90.0%	105.5%	93.4%	112.0%	94.8%
57.3%	23.9%	32.7%	50.7%	27.2%	53.8%	47.3%
280.4%	97.9%	116.4%	130.1%	93.1%	116.6%	89.2%
75.1%	141.7%	158.0%	127.0%	100.5%	102.5%	108.7%
6.2%	18.9%	20.6%	11.0%	8.0%	6.1%	2.0%
5.0%	13.9%	14.3%	9.0%	5.5%	3.8%	5.2%
11.5%	30.1%	33.0%	15.9%	11.0%	7.8%	2.6%
9.2%	22.2%	23.0%	13.1%	7.6%	4.9%	6.5%
23.6%	37.3%	44.5%	25.3%	15.5%	13.2%	3.9%
19.0%	27.6%	30.9%	20.8%	10.7%	8.3%	9.8%

McDermott
incorporated

Capitalization Ratios

In Thousands of Dollars

FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979
Short-term debt	$ 27,560	$ 84,772	$ 18,740	$ 9,501
Long-term debt:				
Current maturities	11,787	32,012	11,100	10,924
Senior	418,492	434,071	468,110	487,123
Subordinated convertible	767	2,326	3,743	5,524
Total debt	$ 458,606	$ 553,181	$ 501,693	$ 513,072
Redeemable preferred stock	$ 393,763	$ 394,192	$ 394,468	$ 394,507
Common stock	$ 37,110	$ 36,979	$ 36,768	$ 32,523
Capital in excess of par value	262,004	258,996	254,321	133,038
Treasury stock	(2,800)	(2,912)	(2,871)	(2,871)
Unamortized deferred career executive stock plan expense	(3,516)	(4,175)	(4,324)	(5,418)
Retained earnings	881,760	758,792	742,534	714,883
Total common stock and other stockholders' equity	$ 1,174,558	$ 1,047,680	$ 1,026,628	$ 872,155
Total capitalization	$ 2,026,927	$ 1,985,053	$ 1,922,789	$ 1,779,734
Short-term debt	1.4%	4.2%	1.0%	.5%
Long-term debt:				
Current maturities	.6	1.6	.6	.6
Senior	20.6	21.8	24.3	27.4
Subordinated convertible	—	.1	.2	.3
Total debt	22.6%	27.7%	26.1%	28.8%
Redeemable preferred stock	19.4%	19.8%	20.5%	22.2%
Common stock	1.8%	1.8%	1.9%	1.8%
Capital in excess of par value	12.9	13.0	13.2	7.5
Treasury stock	(.2)	(.1)	(.1)	(.2)
Unamortized deferred career executive stock plan expense	(.2)	(.2)	(.2)	(.3)
Retained earnings	43.5	38.0	38.6	40.2
Total common stock and other stockholders' equity	58.0%	52.5%	53.4%	49.0%
Total capitalization	100.0%	100.0%	100.0%	100.0%
Long-term debt to total common stock and other stockholders' equity ratio	.36	.42	.46	.57

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

1978	1977	1976	1975	1974	1973	1972
$ 3,654	$ 948	$ 9,683	$ 30,133	$ 43,223	$ 30,500	$ 6,000
8,454	1,380	732	68	59	1,659	1,819
472,472	149,887	150,434	166,583	60,585	21,049	92,459
6,960	16,191	18,825	19,940	20,980	90,000	—
$ 491,540	$ 168,406	$ 179,674	$ 216,724	$ 124,747	$ 143,508	$ 100,278
$ 394,847	—	—	—	—	—	—
$ 32,307	$ 15,878	$ 15,796	$ 7,881	$ 7,747	$ 6,806	$ 6,805
129,505	136,762	134,011	140,778	130,115	63,598	63,349
(2,681)	(2,517)	(2,401)	(2,176)	(2,028)	(2,028)	(1,803)
(6,892)	(8,513)	(9,969)	(11,673)	(3,050)	(3,668)	(3,949)
684,353	553,832	380,227	233,326	166,168	141,550	131,108
$ 836,592	$ 695,442	$ 517,664	$ 368,136	$ 298,952	$ 206,258	$ 195,510
$ 1,722,979	$ 863,848	$ 697,338	$ 584,860	$ 423,699	$ 349,766	$ 295,788
.2%	.1%	1.4%	5.2%	10.2%	8.8%	2.0%
.5	.2	.1	—	—	.5	.6
27.2	17.3	21.6	28.5	14.3	6.0	31.3
.6	1.9	2.7	3.4	4.9	25.7	—
28.5%	19.5%	25.8%	37.1%	29.4%	41.0%	33.9%
22.9%	—	—	—	—	—	—
1.9%	1.9%	2.3%	1.3%	1.6%	1.9%	2.3%
7.5	15.8	19.2	24.0	30.8	18.2	21.4
(.2)	(.3)	(.3)	(.4)	(.5)	(.6)	(.6)
(.4)	(1.0)	(1.4)	(2.0)	(.7)	(1.0)	(1.3)
39.8	64.1	54.4	40.0	39.2	40.5	44.3
48.6%	80.5%	74.2%	62.9%	70.6%	59.0%	66.1%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
.57	.24	.33	.51	.27	.54	.47

McDermott
incorporated

Earnings Per Share Calculations

In Thousands Except Per Share Amounts FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979
Primary				
Earnings:				
Net income	$213,449	$ 99,561	$ 90,821	$ 92,957
Less: Dividends paid on redeemable preferred stock	(29,860)	(30,290)	(30,296)	(30,295)
Net income applicable to common stock	$183,589	$ 69,271	$ 60,525	$ 62,662
Shares:[1]				
Weighted average common and common equivalent shares outstanding	36,888	36,676	32,746	32,366
Primary earnings per share	$ 4.98	$ 1.89	$ 1.85	$ 1.94
Fully Diluted				
Earnings:				
Net income	$213,449	$ 99,561	$ 90,821	$ 92,957
Add:				
Preferred A dividends - converted shares	13,830	—	—	—
Interest on 4¼% convertible subordinated debentures net of income taxes	—	—	—	—
Interest and amortization of debt issuance expense on 4¾% convertible subordinated debentures net of income taxes	45	78	137	150
Less: Dividends paid on redeemable preferred stock	(29,860)	(30,290)	(30,296)	(30,295)
Net income assuming full dilution	$197,464	$ 69,349	$ 60,662	$ 62,812
Shares:[1]				
Weighted average common and common equivalent shares outstanding	36,888	36,676	32,746	32,366
Assume conversion of convertible subordinated debentures	108	188	301	365
Assume conversion of convertible preferred stock	6,287	—	—	—
Fully diluted shares[2]	43,283	36,864	33,047	32,731
Fully diluted earnings per share[2]	$ 4.56	$ 1.88	$ 1.84	$ 1.92

[1] Adjusted for two-for-one stock splits effective June 20, 1975 and December 15, 1977.
[2] Includes only computations which cause dilution. If calculated assuming complete conversion into common stock of Series A $2.20 Cumulative Convertible Preferred Stock, antidilution would have occurred in 1981, 1980 and 1979.

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

1978	1977	1976	1975	1974	1973	1972
$159,092	$191,642	$ 160,184	$ 76,447	$ 31,998	$ 17,175	$ 19,115
—	—	—	—	—	—	—
$159,092	$191,642	$ 160,184	$ 76,447	$ 31,998	$ 17,175	$ 19,115
31,671	31,342	31,247	30,892	27,853	26,928	26,884
$ 5.02	$ 6.11	$ 5.13	$ 2.47	$ 1.15	$ .64	$ .71
$159,092	$191,642	$ 160,184	$ 76,447	$ 31,998	$ 17,175	$ 19,115
—	—	—	—	—	—	—
—	—	—	—	489	744	—
304	444	475	501	632	317	—
—	—	—	—	—	—	—
$159,396	$192,086	$ 160,659	$ 76,948	$ 33,119	$ 18,236	$ 19,115
31,671	31,342	31,247	30,892	27,853	26,928	26,884
741	1,073	1,170	1,226	4,097	2,651	—
17	—	—	—	—	—	—
32,429	32,415	32,417	32,118	31,950	29,579	26,884
$ 4.92	$ 5.93	$ 4.95	$ 2.39	$ 1.04	$ .62	$ .71

McDermott
incorporated

Revenues and Operating Income by Financial Reporting Segments

In Millions of Dollars

FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979
Revenues:				
Marine Construction Services	$ 1,907.8	$ 1,417.2	$ 1,020.6	$ 1,010.3
	39%	37%	32%	32%
Power Generation Systems and Equipment	1,949.3	1,727.6	1,487.5	1,463.8
	40%	45%	47%	47%
Engineered Materials	916.4	590.0	578.3	508.5
	19%	15%	18%	16%
Other Products and Services	69.7	104.9	80.6	161.4
	2%	3%	3%	5%
Total	$ 4,843.2	$ 3,839.7	$ 3,167.0	$ 3,144.5
	100%	100%	100%	100%
Operating Income:				
Marine Construction Services	$ 72.3	$ 5.2	$ (58.0)	$ 61.0
	15%	2%	(38%)	27%
Power Generation Systems and Equipment	107.6	116.2	140.7	117.7
	23%	51%	92%	51%
Engineered Materials	294.7	97.4	62.9	51.0
	61%	42%	41%	22%
Other Products and Services	8.0	10.5	7.5	(0.9)
	1%	5%	5%	—
Total	$ 482.6	$ 229.4	$ 153.1	$ 228.8
	100%	100%	100%	100%

Revenues and Operating Income by Geographic Areas

In Millions of Dollars

FOR THE FISCAL YEARS ENDED MARCH 31.	1982	1981 (Restated)	1980 (Restated)	1979
Revenues:				
Domestic	$ 3,434.1	$ 2,896.1	$ 2,463.7	$ 2,533.0
	71%	75%	78%	81%
Foreign	1,409.1	943.6	703.3	611.5
	29%	25%	22%	19%
Total	$ 4,843.2	$ 3,839.7	$ 3,167.0	$ 3,144.5
	100%	100%	100%	100%
Operating Income:				
Domestic	$ 500.1	$ 277.3	$ 217.9	$ 267.3
	104%	121%	142%	117%
Foreign	(17.5)	(47.9)	(64.6)	(38.5)
	(4%)	(21%)	(42%)	(17%)
Total	$ 482.6	$ 229.4	$ 153.3	$ 228.8
	100%	100%	100%	100%

Note: 1981 and 1980 have been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

1978	1977	1976	1975	1974	1973	1972
$ 1,116.1	$ 1,089.4	$ 1,010.1	$ 684.3	$ 379.3	$ 314.9	$ 208.5
86%	89%	92%	92%	89%	88%	65%
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
177.6	134.4	92.0	58.5	46.5	43.5	113.0
14%	11%	8%	8%	11%	12%	35%
$ 1,293.7	$ 1,223.8	$ 1,102.1	$ 742.8	$ 425.8	$ 358.4	$ 321.5
100%	100%	100%	100%	100%	100%	100%
$ 205.5	$ 247.6	$ 219.8	$ 95.9	$ 45.0	$ 30.4	$ 5.9
93%	95%	95%	103%	97%	111%	78%
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
15.4	12.0	10.5	(2.6)	1.4	(3.1)	1.7
7%	5%	5%	(3%)	3%	(11%)	22%
$ 220.9	$ 259.6	$ 230.3	$ 93.3	$ 46.4	$ 27.3	$ 7.6
100%	100%	100%	100%	100%	100%	100%

1978	1977	1976	1975	1974	1973	1972
$ 638.6	$ 471.7	$ 394.9	$ 249.8	$ 183.6	$ 194.1	$ 222.4
49%	38%	36%	34%	43%	54%	69%
655.1	752.1	707.2	493.0	242.2	164.3	99.1
51%	62%	64%	66%	57%	46%	31%
$ 1,293.7	$ 1,223.8	$ 1,102.1	$ 742.8	$ 425.8	$ 358.4	$ 321.5
100%	100%	100%	100%	100%	100%	100%
$ 128.2	$ 82.5	$ 79.1	$ 23.8	$ 15.1	$ 22.0	$ 3.9
58%	32%	34%	25%	33%	81%	51%
92.7	177.1	151.2	69.5	31.3	5.3	3.7
42%	68%	66%	75%	67%	19%	49%
$ 220.9	$ 259.6	$ 230.3	$ 93.3	$ 46.4	$ 27.3	$ 7.6
100%	100%	100%	100%	100%	100%	100%

Quarterly Financial Data

In Thousands of Dollars Except Per Share Amounts

Quarter Ended	Revenues	Net Income	Earnings Per Share[1,4] Primary	Earnings Per Share[1,4] Fully Diluted
June 30, 1972	$ 56,743	$ 2,919	$ .11	$ .11
September 30, 1972	93,653	4,817	.18	.18
December 31, 1972	98,332	6,099	.23	.23
March 31, 1973	110,671	3,341	.12	.10
	$ 358,399	$ 17,175	$ .64	$ .62
June 30, 1973	$ 62,164	$ 3,209	$ .12	$ .12
September 30, 1973	110,718	9,326	.35	.31
December 31, 1973	102,642	10,512	.39	.34
March 31, 1974	150,232	8,851	.29	.27
	$ 425,756	$ 31,998	$1.15	$1.04
June 30, 1974	$ 100,617	$ 10,022	$ .33	$ .32
September 30, 1974	192,256	19,261	.63	.61
December 31, 1974	163,397	21,750	.70	.69
March 31, 1975	286,353	25,414	.81	.77
	$ 742,623	$ 76,447	$2.47	$2.39
June 30, 1975	$ 120,722	$ 17,547	$ .56	$ .55
September 30, 1975	349,868	52,327	1.68	1.61
December 31, 1975	308,526	47,328	1.51	1.46
March 31, 1976	322,962	42,982	1.38	1.33
	$ 1,102,078	$ 160,184	$5.13	$4.95
June 30, 1976	$ 267,735	$ 37,097	$1.19	$1.15
September 30, 1976	396,658	56,249	1.79	1.74
December 31, 1976	301,676	58,049	1.85	1.79
March 31, 1977	257,772	40,247	1.28	1.25
	$ 1,223,841	$ 191,642	$6.21	$5.93
June 30, 1977	$ 295,852	$ 45,647	$1.45	$1.41
September 30, 1977	324,972	46,581	1.48	1.44
December 31, 1977	448,869	49,779	1.56	1.54
March 31, 1978	221,018	17,085	.53	.53
	$ 1,293,711	$ 159,092	$5.02	$4.92
June 30, 1978	$ 719,327	$ 32,262	$ .76	$ .72
September 30, 1978	820,457	55,484	1.48	1.32
December 31, 1978	800,244	34,711	.84	.79
March 31, 1979	804,536	(29,500)	(1.14)	(1.14)[3]
	$ 3,144,564	$ 92,957	$1.94	$1.92[3]
June 30, 1979	$ 710,037	$ 19,810	$ .38	$ .38[3]
September 30, 1979	752,216	12,386	.15	.15[3]
December 31, 1979	940,851	50,870	1.33	1.20
March 31, 1980	879,406	5,300	(.07)	(.07)[3]
	$ 3,282,510	$ 88,366	$1.77	$1.76[3]
June 30, 1980	$ 884,261	$ 8,169	$ .02	$ .02[3]
September 30, 1980	905,879	24,059	.45	.45[3]
December 31, 1980	967,010	39,060	.86	.81
March 31, 1981	1,112,548	28,273	.56	.56[3]
	$ 3,839,698	$ 99,561	$1.89	$1.88[3]
June 30, 1981	$ 1,148,819	$ 49,540	$1.14	$1.05
September 30, 1981	1,196,131	55,584	1.30	1.19
December 31, 1981	1,199,708	56,030	1.32	1.20
March 31, 1982	1,298,528	52,315	1.22	1.12
	$ 4,843,186	$ 213,449	$4.98	$4.56

[1] Adjusted for two-for-one stock splits effective June 20, 1975 and December 15, 1977.
[3] The first three quarters of fiscal 1980 have been restated to reflect capitalized interest.
[4] Includes only computations which cause dilution. If calculated assuming complete conversion into common stock of Series A $2.20 Cumulative Convertible Preferred Stock, antidilution would have occurred in the first, second and fourth quarter of and for the fiscal year ended March 31, 1981 and 1980, and in the fourth quarter of and for the fiscal year ended March 31, 1979.

Note: 1981 has been restated to reflect the change in accounting for McDermott Marine Construction from the completed contract to percentage of completion method of income recognition.

Quarterly Common Stock Prices and Dividends

Quarter Ended	High Sale Price[1]	Low Sale Price[1]	Dividends Declared Per Share[1]	Yield On Average Price[2]
June 30, 1972	$ 14¾	$ 9¾	$ .0625	2.0%
September 30, 1972	16⅛	12⅝	.0625	1.7
December 31, 1972	18⅛	14⅛	.0625	1.5
March 31, 1973	20	12⅛	.0625	1.5
			$ .25	1.7%
June 30, 1973	$ 17⅛	$ 13⅝	$ .0625	1.6%
September 30, 1973	21⅝	14⅛	.0625	1.4
December 31, 1973	26⅝	20⅝	.0625	1.1
March 31, 1974	26⅝	18	.075	1.5
			$ .2625	1.8%
June 30, 1974	$ 20⅛	$ 13⅛	$ .075	1.6%
September 30, 1974	17⅛	12⅛	.075	2.0
December 31, 1974	21⅛	12⅝	.075	1.7
March 31, 1975	21	14⅛	.075	1.7
			$ .30	1.8%
June 30, 1975	$ 27⅛	$ 17⅝	$ .10	1.9%
September 30, 1975	27⅝	21	.10	1.6
December 31, 1975	24⅛	16⅛	.10	1.9
March 31, 1976	24⅛	19	.125	2.3
			$ .425	1.9%
June 30, 1976	$ 26⅛	$ 21⅛	$ .125	2.1%
September 30, 1976	27⅛	22⅛	.125	2.0
December 31, 1976	26⅛	22⅝	.125	2.0
March 31, 1977	25⅛	21⅛	.20	3.4
			$ .575	2.4%
June 30, 1977	$ 29⅛	$ 25⅛	$ .20	2.9%
September 30, 1977	29⅛	22⅛	.20	3.1
December 31, 1977	29⅛	22⅛	.25	3.6
March 31, 1978	28⅛	21⅛	.25	4.0
			$ .90	3.5%
June 30, 1978	$ 31⅛	$ 23⅛	$ .25	3.7%
September 30, 1978	29⅛	22⅝	.25	3.9
December 31, 1978	28½	20⅝	.25	4.0
March 31, 1979	22⅝	18⅛	.25	4.8
			$ 1.00	4.0%
June 30, 1979	$ 19⅛	$ 15⅛	$ .30	6.8%
September 30, 1979	24⅛	18⅝	.30	5.6
December 31, 1979	26⅛	20	.30	5.2
March 31, 1980	36⅛	19⅛	.35	5.0
			$ 1.25	4.5%
June 30, 1980	$ 30⅝	$ 22⅛	$ .35	5.3%
September 30, 1980	33⅞	26⅝	.35	4.6
December 31, 1980	46⅛	27	.35	3.8
March 31, 1981	41⅛	34⅛	.40	4.2
			$ 1.45	4.2%
June 30, 1981	$ 39	$ 27⅛	$ .40	4.8%
September 30, 1981	40⅛	27⅛	.40	4.7
December 31, 1981	41⅞	31	.40	4.4
March 31, 1982	36⅛	21⅝	.45	5.0
			$ 1.65	5.2%

[1] Adjusted for two-for-one stock splits effective June 20, 1975 and December 15, 1977.
[2] Annualized yield on average high-low price.

Stockholders' Data as of June 19, 1982 (Common Stock)

Classification of Stockholders

Category	Number of Stockholders		Number of Shares	
Men	4,393	39.9%	2,823,850	7.6%
Women	2,695	24.4	1,156,894	3.1
Joint Accounts	1,850	16.8	392,483	1.1
Sub-Total	8,938	81.1%	4,373,227	11.8%
Trustee Accounts	1,245	11.3	514,760	1.4
Security Dealers	35	.3	272,129	.7
Nominees, Institutions and Others	802	7.3	31,954,390	86.1
Sub-Total	2,082	18.9%	32,741,279	88.2%
Total	11,020	100.0%	37,114,506	100.0%

Geographic Distribution

State	Number of Shares	Number of Stockholders
New York	25,845,955	1,206
Louisiana	2,558,861	1,271
Illinois	1,833,919	522
California	1,412,781	775
Ohio	1,242,980	1,115
Texas	994,135	693
Connecticut	710,497	292
Pennsylvania	502,731	704
Florida	437,119	485
Missouri	252,918	193
All Other	1,225,034	3,550
Total United States	37,016,930	10,906
Canada	56,169	57
Foreign	41,407	57
Total	37,114,506	11,020

Size of Holdings

Size of Holdings	Number of Stockholders	Number of Shares
1- 99	3,911	92,007
100- 300	4,363	711,168
301- 500	1,066	449,570
501-1,000	865	646,809
1,001-over	815	35,214,952
Total	11,020	37,114,506

Stockholders' Data as of June 19, 1982
(Series A $2.20 Cumulative Convertible Preferred Stock)

Classification of Stockholders

Category	Number of Stockholders		Number of Shares	
Men	4,475	36.8%	587,906	9.4%
Women	3,725	30.6	593,035	9.5
Joint Accounts	2,613	21.5	196,098	3.1
Sub-Total	10,813	88.9%	1,377,039	22.0%
Trustee Accounts	897	7.4	181,430	2.9
Security Dealers	21	.2	8,090	.1
Nominees, Institutions and Others	434	3.5	4,691,543	75.0
Sub-Total	1,352	11.1%	4,881,063	78.0%
Total	12,165	100.0%	6,258,102	100.0%

Geographic Distribution

State	Number of Shares	Number of Stockholders
New York	3,247,865	1,631
Connecticut	458,929	315
Illinois	396,269	475
Pennsylvania	389,543	1,256
California	222,178	664
Delaware	205,775	33
Ohio	200,384	1,922
New Jersey	183,340	759
Missouri	137,914	139
Florida	102,501	690
All Other	701,009	4,206
Total United States	6,245,727	12,090
Canada	9,456	27
Foreign	2,919	48
Total	6,258,102	12,165

Size of Holdings

Size of Holdings	Number of Stockholders	Number of Shares
1- 99	8,171	254,300
100- 300	3,027	468,994
301- 500	411	171,039
501-1,000	277	210,313
1,001-over	279	5,153,456
Total	12,165	6,258,102

Stockholders' Data as of June 19, 1982
(Series B $2.60 Cumulative Preferred Stock)

Classification of Stockholders

Category	Number of Stockholders		Number of Shares	
Men	4,164	36.7%	478,610	7.6%
Women	3,483	30.7	533,845	8.5
Joint Accounts	2,519	22.2	183,139	2.9
Sub-Total	10,166	89.6%	1,195,594	19.0%
Trustee Accounts	762	6.7	112,137	1.8
Security Dealers	18	.2	86,396	1.4
Nominees, Institutions and Others	402	3.5	4,899,832	77.8
Sub-Total	1,182	10.4%	5,098,365	81.0%
Total	11,348	100.0%	6,293,959	100.0%

Geographic Distribution

State	Number of Shares	Number of Stockholders
New York	2,929,491	1,505
Illinois	433,472	472
California	367,534	642
Texas	296,972	297
Washington	242,910	96
Ohio	194,188	1,915
Pennsylvania	158,339	1,152
New Jersey	153,740	704
Florida	125,981	654
Arizona	124,691	123
Connecticut	120,859	279
All Other	1,140,687	3,437
Total United States	6,288,864	11,276
Canada	2,243	25
Foreign	2,852	47
Total	6,293,959	11,348

Size of Holdings

Size of Holdings	Number of Stockholders	Number of Shares
1- 99	8,086	249,843
100- 300	2,412	368,460
301- 500	317	128,264
501-1,000	232	170,482
1,001-over	301	5,376,910
Total	11,348	6,293,959

Summary of Major Marine Equipment by Location as of June 1982

	Derrick Barges	Combination Barges/Ships	Lay Barges	Pipe Bury Barges	Total
Gulf of Mexico	6	0	4	3	13
Mexico	0	3	0	0	3
North Sea	2	0	3	1	6
Middle East	3	3	1	0	7
Southeast Asia	0	3	1	0	4
South America	0	0	1	0	1
West Africa	1	1	0	0	2
Total	12	10	10	4	36

In addition, the Company owns and operates major support equipment, including 61 tugs, utility boats, and crew boats, and 110 cargo barges, dredges, and other vessels. Included in this number is the *Intermac 600* launch barge, which measures 500' x 120' x 33', and the *Intermac 650* launch barge, which measures 650' x 170' x 40'.

Description of Major Marine Equipment

DB No. 1 Derrick Barge a/c quarters for 100 180' x 70' x 11'	American 100-ton gantry crane with a 171-foot boom.	Middle East
DB No. 7 Derrick/Lay Barge a/c quarters for 142 300' x 90' x 19'	American 250-ton gantry crane with a 220-foot boom; 75-ton crawler crane; 3-welding, 1 x-ray, and 1 coating station; tensioner for up to 40" pipe (including weight coat).	Middle East
DB No. 8 Derrick Barge a/c quarters for 77 300' x 90' x 19'	American 250-ton gantry crane with a 220-foot boom.	Gulf of Mexico
DB No. 9 Derrick/Lay Barge a/c quarters for 100 300' x 90' x 19'	American 250-ton gantry crane with a 220-foot boom; 100-ton crawler crane; 5 welding, 1 x-ray, and 1 coating station; tensioner for up to 40" pipe (including weight coat).	Middle East
DB No. 12 Derrick Barge a/c quarters for 156 400' x 100' x 29'	American 860-ton gantry crane with a 275-foot boom; 100-ton crawler crane.	Gulf of Mexico
DB No. 14 Derrick Barge a/c quarters for 240 400' x 93' x 29'	American 600-ton gantry crane with a 240-foot boom; 100-ton crawler crane.	Middle East
DB No. 15 Derrick/Lay Barge a/c quarters for 275 400' x 100' x 29'	American 860-ton gantry crane with a 275-foot boom; 100-ton crawler crane; 5 welding, 1 x-ray, and 1 coating station; tensioner for up to 40" pipe (including weight coat).	West Africa

DB No. 16 Derrick Barge a/c quarters for 156 400' x 100' x 29'	American 860-ton gantry crane with a 275-foot boom; 100-ton crawler crane.	Gulf of Mexico
DB No. 17 Derrick Barge a/c quarters for 275 400' x 106' x 29'	American 860-ton gantry crane with a 275-foot boom; 100-ton crawler crane.	Middle East
DB No. 18 Derrick Barge a/c quarters for 120 350' x 100' x 25'	Clyde 750-ton gantry crane with a 245-foot boom; 100-ton crawler crane.	Gulf of Mexico
DB No. 19 Derrick/Lay Barge a/c quarters for 281 300' x 100' x 21'	Clyde 700-ton gantry crane with a 245-foot boom; 100-ton crawler crane; 4 welding, 1 x-ray, and 1 coating station; tensioner for up to 44" pipe (including weight coat).	Middle East
DB No. 20 Derrick/Lay Barge a/c quarters for 154 401' x 100' x 29'	Clyde 750-ton gantry crane with a 245-foot boom; 100-ton crawler crane; 5 welding, 1 x-ray, and 2 coating stations; tensioner for up to 72" pipe (including weight coat).	Southeast Asia
DB No. 21 Derrick/Lay Barge a/c quarters for 154 401' x 100' x 29'	Clyde 1,000-ton gantry crane with a 275-foot boom; 100-ton crawler crane; 5 welding, 1 x-ray, and 2 coating stations; tensioner for up to 72" pipe (including weight coat).	Southeast Asia
DB No. 22 Derrick Barge a/c quarters for 210 448' x 131' x 45'	Clyde 1,600-ton gantry crane with a 275-foot boom; 100-ton crawler crane.	Gulf of Mexico
DB No. 23 Derrick Barge a/c quarters for 156 401' x 100' x 29'	Clyde 1,000-ton gantry crane with a 275-foot boom; 100-ton crawler crane.	Gulf of Mexico
DB No. 24 Derrick Barge a/c quarters for 60 250' x 80' x 16'	Clyde 350-ton gantry crane with a 218-foot boom. 100-ton crawler crane.	West Africa
DB No. 26 Derrick/Lay Barge a/c quarters for 224 400' x 106' x 29'	American 900-ton gantry crane with a 275-foot boom; 165-ton crawler crane; 5 welding, 1 x-ray, and 2 coating stations; tensioner for up to 40" pipe (including weight coat).	Southeast Asia

DB No. 100 Semisubmersible Derrick Barge a/c quarters for 548 406' x 275' x 130'	Clyde 2,000-ton gantry crane with a 300-foot boom.	North Sea
DB No. 101 Self-Propelled Semisubmersible Derrick Barge a/c quarters for 270 476' x 171' x 118'	IHC 2,000-ton gantry crane with a 352-foot boom; two 165-ton crawler cranes.	North Sea
Mixteco Self-Propelled Derrick/Lay Ship a/c quarters for 200 595' x 99' x 44'	IHC 800-ton gantry crane with a 240-foot boom; 150-ton crawler crane; 5 welding, 1 x-ray, and 1 coating station; 2 tensioners for up to 48" pipe (including weight coat).	Mexico
Huasteco Self-Propelled Derrick/Lay Ship a/c quarters for 286 698' x 125' x 48'	American 2,000-ton gantry crane with a 300-foot boom; two 150-ton crawler cranes; 5 welding, 1 x-ray, and 2 coating stations; 2 tensioners for up to 48" pipe (including weight coat).	Mexico
Tolteca Self-Propelled Derrick/Lay Ship a/c quarters for 231 662' x 118' x 46'	American 2,000-ton gantry crane with a 300-foot boom; two 150-ton crawler cranes; 6 welding, 1 x-ray, and 1 coating station; 2 tensioners for up to 48" pipe (including weight coat).	Mexico
Lay Barge No. 20 Pipe Lay Barge a/c quarters for 52 240' x 72' x 15'	American 100-ton gantry crane with a 165-foot boom; 50-ton crawler crane; 3 welding, 1 x-ray, and 1 coating station; tensioner for up to 24" pipe (including weight coat).	Gulf of Mexico
Lay Barge No. 21 Pipe Lay Barge a/c quarters for 96 240' x 72' x 15'	American 100-ton gantry crane with a 165-foot boom; 25-ton crawler crane; 3 welding, 1 x-ray, and 1 coating station; tensioner for up to 24" pipe (including weight coat).	Gulf of Mexico
Lay Barge No. 22 Pipe Lay Barge a/c quarters for 222 420' x 120' x 28'	2 American 65-ton traveling gantry cranes; 5 welding, 1 x-ray, and 2 coating stations; 2 tensioners for up to 56" pipe (including weight coat).	Gulf of Mexico
Lay Barge No. 23 Pipe Lay Barge a/c quarters for 222 420' x 120' x 28'	2 American 65-ton traveling gantry cranes; 5 welding, 1 x-ray, and 2 coating stations; 2 tensioners for up to 56" pipe (including weight coat).	Gulf of Mexico

Lay Barge No. 25 Pipe Lay Barge a/c quarters for 234 350' x 90' x 25'	2 Manitowoc 120-ton crawler cranes; 5 welding, 1 x-ray, and 2 coating stations; tensioner for up to 40" pipe (including weight coat).	Southeast Asia
Lay Barge No. 26 Pipe Lay Barge a/c quarters for 200 350' x 100' x 25'	2 Manitowoc 120-ton crawler cranes; 5 welding, 1 x-ray, and 1 coating station; tensioner for up to 72" pipe (including weight coat).	Middle East
Lay Barge No. 27 Pipe Lay Barge a/c quarters for 282 420' x 128' x 28'	2 American 65-ton traveling gantry cranes; 5 welding, 1 x-ray, and 2 coating stations; 2 tensioners for up to 40" pipe (including weight coat).	North Sea
Lay Barge No. 28 Pipe Lay Barge a/c quarters for 242 420' x 128' x 28'	2 American 65-ton traveling gantry cranes; 7 welding, 1 x-ray, and 2 coating stations; 2 tensioners for up to 40" pipe (including weight coat).	North Sea
Lay Barge No. 29 Pipe Lay Barge a/c quarters for 272 420' x 125' x 28'	2 American 65-ton traveling gantry cranes; 5 welding, 1 x-ray, and 2 coating stations; 2 tensioners for up to 72" pipe (including weight coat).	South America
Lay Barge No. 200 Semisubmersible Pipe Lay Barge a/c quarters for 500 554' x 192' x 109'	4 Manitowoc 154-ton traveling gantry cranes; 6 welding, 2 x-ray, and 2 coating stations; 2 tensioners for up to 60" pipe (including weight coat).	North Sea
Jirafa Pipe Bury Barge a/c quarters for 50 180' x 85' x 13'	3 jet pumps 2,300 GPM each at 1,020 PSI; 5 air compressors 1,050 CFM each at 150 PSI; operating capability in 250' water depths for burying up to 36" pipe; jetting sled.	Gulf of Mexico
Jet Barge No. 2 Pipe Bury Barge a/c quarters for 62 300' x 90' x 22'	4 jet pumps 2,300 GPM each at 1,015 PSI; 2 air compressors 1,800 CFM each at 250 PSI; operating capability in 250' water depths for burying up to 48" pipe; jetting sled.	Gulf of Mexico
Jet Barge No. 3 Pipe Bury Barge a/c quarters for 112 344' x 120' x 23'	3 jet pumps 12,500 GPM total capacity at 2,500 PSI; 2 air compressors 2,100 CFM each at 300 PSI; operating capability in 550' water depths for burying up to 60" pipe; jetting sled.	Gulf of Mexico
Jet Barge No. 4 Pipe Bury Barge a/c quarters for 112 344' x 120' x 23'	3 jet pumps 12,500 GPM total capacity at 2,500 PSI; 2 air compressors 2,100 CFM each at 300 PSI; operating capability in 550' water depths for burying up to 60" pipe; jetting sled.	North Sea

Principal Locations

Corporate Headquarters
New Orleans, Louisiana
(504) 587-4411

Marine Construction Services

- Equipment and Materials
  New Orleans, Louisiana
- Harvey Division
  Dredging Division
  Harvey Fabrication Division
  McDermott Divers Division
  Marine Pipeline Division
  Harvey, Louisiana
- McDermott Marine Engineering
  Houston, Texas
  New Orleans, Lafayette, Louisiana
  London, England
  Singapore
  Oslo, Norway
- McDermott Shipyards
  Morgan City, New Iberia, Louisiana
  Gulfport, Mississippi
- McDermott Structural
  McDermott Fabricators Division
  Morgan City, Louisiana
  McDermott Offshore Division
  Morgan City, Louisiana
  Bayou Black Division
  Bayou Black, Louisiana
- Central and South America
  Rio de Janeiro, Brazil
  Port of Spain, Trinidad-Tobago
- Middle East
  Ain Souikna, Egypt
  Bombay, India
  Solmiya, Kuwait
  Doha, Qatar
  Dhahran, Saudi Arabia
  Abu Dhabi, Dubai, Ras Al Khaimah,
  United Arab Emirates
- North Sea
  Antwerp, Brussels, Belgium
  London, England
  Sandvika, Stavanger, Norway
  Aberdeen, Inverness, Scotland
- Southeast Asia
  Melbourne, Perth, Sale, Sydney,
  Australia
  Kuala Belait, Brunei
  Balikpapan, Batam Island, Jakarta,
  Indonesia
  Kuala Lumpur, Malaysia
  Miri, Sarawak, East Malaysia
  Philippines
  Singapore
- West Africa
  Lagos, Warri, Nigeria

Power Generation Systems and Equipment

- Advanced Energy and
  Environmental Systems Division
  Barberton, Ohio
- Babcock & Wilcox Canada Ltd.
  Cambridge, Ontario, Canada
- B&W Construction Company
  Copley, Ohio
- Bailey Controls Company
  Wickliffe, Ohio
  Williamsport, Pennsylvania
  Burlington, Ontario, Canada
  Regents Park, New South Wales,
  Australia
  Sao Paulo, Brazil
  Shizuoka, Japan
- Contract Research Division
  Alliance, Ohio
- Diamond Power Specialty Company
  Lancaster, Ohio
  Burlington, Ontario, Canada
  Bromma, Sweden
  Dumbarton, Scotland
- Fossil Power Generation Division
  Barberton, Ohio
- Fossil Power Manufacturing Division
  Paris, Texas
  West Point, Mississippi
  Wilmington, North Carolina
- Hudson Products Corporation
  Beasley, Houston, Texas
- Industrial and Marine Division
  North Canton, Ohio
- Naval Nuclear Fuel Division
  Lynchburg, Virginia
- Nuclear Equipment Division
  Barberton, Ohio
- Nuclear Power Generation Division
  Lynchburg, Virginia
  Apollo, Pennsylvania
- Research and Development Division
  Alliance, Ohio
  Lynchburg, Virginia
- TLT-Babcock, Inc.
  Akron, Medina, Ohio

Engineered Materials

- Insulating Products Division
  Augusta, Hephzibah, Georgia
  Burlington, Ontario, Canada
  Ponce, Puerto Rico
- Tubular Products
  Alliance, Ohio
  Ambridge, Beaver Falls,
  Pennsylvania
  Milwaukee, Wisconsin
  Bryan, Texas

McDermott Incorporated and subsidiaries provide comprehensive engineering, fabrication, and construction services, primarily in a marine environment, to companies engaged in the extraction, transportation, and processing of hydrocarbons.

The Company is also a major manufacturer of specially engineered industrial products and materials with two major fields of activity: power generation systems and equipment, including fossil and nuclear fueled steam generating equipment; and engineered materials such as specialty steel tubing and refractories.

McDERMOTT AND SUBSIDIARIES —

- design, fabricate and install offshore drilling and production platforms, tanker mooring systems, and offshore pipelines
- design and construct onshore and offshore oil and gas production facilities, dehydration plants, oil and gas processing plants, gas compressor stations, onshore tank farms, loading facilities, and petrochemical plants
- provide diving personnel and equipment for underwater services
- build large horsepower tugs and service boats
- engage in dredging, pile driving, and general construction services for marshland and near-shore projects
- design and manufacture air medium process coolers
- have heavy marine construction equipment located in the Gulf of Mexico, West Africa, the North Sea, the Middle East, Southeast Asia, and South America, and maintain operating bases and fabrication yards to support each of these areas
- supply fossil fueled and nuclear fueled steam generating systems and component equipment for stationary and marine applications
- supply naval nuclear reactor components
- supply nuclear fuel
- produce specialty oil field tubing, steel tubing, extrusions, and rolled rings
- operate as a general contractor for the construction of utility plants and other industrial facilities
- manufacture specialty refractories and ceramic fibers
- manufacture computerized systems for power plant automation and control
- produce boiler cleaning equipment
- manufacture specialty control valves that regulate flow and reduce noise in piping systems
- produce all-metal reflective insulation

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