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MCDERMOTT INTERNATIONAL INC  
Form 10-K/A  
March 31, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10 - K/A

(Mark One)

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-08430

MCDERMOTT INTERNATIONAL, INC.  
(Exact name of registrant as specified in its charter)

REPUBLIC OF PANAMA  
(State or Other Jurisdiction of  
Incorporation or Organization)

72-0593134  
(I.R.S. Employer Identification No.)

777 N. ELDRIDGE PKWY.  
HOUSTON, TEXAS  
(Address of Principal Executive Offices)

77079  
(Zip Code)

Registrant's Telephone Number, Including Area Code (281) 870-5000

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

Title of each class -----	Name of each Exchange on which registered -----
Common Stock, \$1.00 par value	New York Stock Exchange
Rights to Purchase Preferred Stock (Currently Traded with Common Stock)	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer,

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as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The aggregate market value of the registrant's common stock held by nonaffiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter (based on the closing sales price on the New York Stock Exchange on June 30, 2005) was approximately \$1,444,933,119.

The number of shares of the registrant's common stock outstanding at January 31, 2006 was 72,042,835.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with the registrant's 2006 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

MCDERMOTT INTERNATIONAL, INC.

INDEX TO FINANCIAL STATEMENT SCHEDULES AND EXHIBITS

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Report of Independent Registered Public Accounting Firm	3
Financial Statement Schedule Covered by Reports of Independent Registered Public Accounting Firm:	
I Condensed Financial Information of Registrant	4

All schedules other than the above have been omitted because they are not

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required or the information is included in the previously filed Form 10-K on March 1, 2006.

Signature of Registrant  
Consent of Independent Registered  
Public Accounting Firm

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Supplementary Financial Information

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of  
McDermott International, Inc.

Our audits of the consolidated financial statements and financial statement schedules, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report (which includes an emphasis of matter paragraph referring to Notes 1, 20 and 22 of the consolidated financial statements which discusses The Babcock & Wilcox Company's voluntary petition with the U.S. Bankruptcy Court to reorganize under Chapter 11 of the U.S. Bankruptcy Code as well as the confirmation of its joint plan of reorganization and settlement agreement and its emergence from Chapter 11 on February 22, 2006) dated February 28, 2006 appearing in the Annual Report on Form 10-K of McDermott International, Inc. for the year ended December 31, 2005 also included an audit of the financial statement schedule listed in the accompanying index of this Form 10K/A. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP  
Houston, Texas  
February 28, 2006

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Schedule I

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

ASSETS

DECEMBER 31,	
2005	2004
(IN THOUSANDS)	

Current Assets:

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Cash and cash equivalents	\$ 100	\$ 5,107
Short-term investments	4,642	--
Accounts receivable - trade, net	--	52
Accounts receivable - other	56	39,008
Accounts receivable from subsidiaries	44,226	40,357
Accounts receivable from The Babcock & Wilcox Company	4,072	1,038
Other current assets	475	682
	-----	-----
Total Current Assets	53,571	86,244
	-----	-----
Investments in Subsidiaries and Other Investees, at Equity	363,143	327,212
	-----	-----
Notes Receivable from Subsidiaries	28,050	50
	-----	-----
Property, Plant and Equipment, at Cost:		
Buildings	5	5
Machinery and equipment	61	61
	-----	-----
	66	66
Less accumulated depreciation	63	62
	-----	-----
Net Property, Plant and Equipment	3	4
	-----	-----
Investments in Debt Securities	32,953	29,952
	-----	-----
Accounts Receivable from The Babcock & Wilcox Company	2,793	2,793
	-----	-----
Other Assets	1,085	1,049
	-----	-----
TOTAL	\$481,598	\$447,304
	=====	=====

See accompanying notes to condensed financial information.

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Continued

LIABILITIES AND STOCKHOLDERS' DEFICIT

	DECEMBER 31,	
	2005	2004
	-----	-----
	(IN THOUSANDS)	
Current Liabilities:		
Accounts payable	\$ 205	\$ 113
Accounts payable to The Babcock & Wilcox Company	7,571	7,739
Accrued liabilities - other	2,940	12,623
Income taxes	1,360	3,059
	-----	-----
Total Current Liabilities	12,076	23,534
	-----	-----
Notes Payable to Subsidiaries	61,761	63,411

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Accounts Payable to Subsidiaries	190,802	254,574
Accrued Cost of The Babcock & Wilcox Company Bankruptcy Settlement	5,566	5,136
Negative Investments in Subsidiaries, at Equity, net of Subordinated Note to Subsidiary	294,614	357,899
Other Liabilities	77	4,193
Commitments and Contingencies.		
Stockholders' Deficit:		
Common stock	73,858	69,561
Capital in excess of par value	1,183,123	1,122,055
Accumulated deficit	(862,931)	(1,060,908)
Treasury stock	(56,496)	(64,625)
Accumulated other comprehensive loss	(420,852)	(327,526)
Total Stockholders' Deficit	(83,298)	(261,443)
TOTAL	\$ 481,598	\$ 447,304

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Schedule I

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

	YEAR ENDED DECEMBER 31,		
	2005	2004	2003
	(IN THOUSANDS)		
Costs and Expenses:			
Cost of operations	\$ (8,818)	\$ 1,743	\$ 688
Gain on settlement of pension plan	(1,390)	(27,722)	--
Selling, general and administrative expenses	18,476	12,608	15,021
	8,268	(13,371)	15,709
Operating Income (Loss) before Equity in Income (Loss) of Investees	(8,268)	13,371	(15,709)
Equity in Income (Loss) of Subsidiaries and Other Investees	206,252	50,874	(83,983)
Operating Income (Loss)	197,984	64,245	(99,692)
Other Income (Expense):			
Interest income	1,332	510	905
Interest expense	(3,608)	(1,761)	(1,671)

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Estimated gain (loss) on The Babcock & Wilcox Company bankruptcy settlement	(430)	(678)	138
Other - net	1,000	(654)	(368)
	-----	-----	-----
	(1,706)	(2,583)	(996)
	-----	-----	-----
Income (Loss) from Continuing Operations Before Provision for (Benefit from) Income Taxes and Cumulative Effect of Accounting Change	196,278	61,662	(100,688)
Provision for (Benefit from) Income Taxes	(1,699)	23	1,470
	-----	-----	-----
Income (Loss) from Continuing Operations before Cumulative Effect of Accounting Change	197,977	61,639	(102,158)
Income from Discontinued Operations	--	--	3,219
	-----	-----	-----
Income (Loss) before Cumulative Effect of Accounting Change	197,977	61,639	(98,939)
Cumulative Effect of Accounting Change	--	--	3,710
	-----	-----	-----
Net Income (Loss)	\$197,977	\$ 61,639	\$ (95,229)
	=====	=====	=====

See accompanying notes to condensed financial information.

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Schedule I

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

	YEAR ENDED DECEMBER 31,		
	2005	2004	2003
	-----	-----	-----
	(IN THOUSANDS)		
Net Income (Loss)	\$197,977	\$61,639	\$ (95,229)
	-----	-----	-----
Other Comprehensive Income (Loss):			
Equity in other comprehensive income (loss) of subsidiaries and other investees	(93,454)	24,276	134,758
Minimum pension liability adjustments	13	17	22
Unrealized gains on investments:			
Reclassification adjustment for gains included in net income	115	(24)	(149)
	-----	-----	-----
Other Comprehensive Income (Loss)	(93,326)	24,269	134,631
	-----	-----	-----
Comprehensive Income (Loss)	\$104,651	\$85,908	\$ 39,402
	=====	=====	=====

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See accompanying notes to condensed financial information.

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Schedule I

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

	YEAR ENDED DECEMBER 31,		
	2005	2004	2003
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	\$ 197,977	\$ 61,639	\$ (95,229)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,047	3,063	2,777
Cumulative effect of accounting change	--	--	(3,710)
Equity in income or loss of subsidiaries and other investees, less dividends	(206,002)	(45,174)	83,983
Estimated (gain) loss on The Babcock & Wilcox Company bankruptcy settlement	430	678	(138)
Other	3,985	9,929	6,090
Changes in assets and liabilities:			
Accounts and notes receivable	32,101	(71,565)	(3,176)
Prepaid pensions	--	17,925	--
Accounts payable	(63,848)	30,072	55,057
Notes payable to subsidiaries	(1,650)	(3,490)	43,681
Income taxes	(1,699)	--	1,400
Other, net	(403)	(1,729)	(2,746)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(38,062)	1,348	87,989
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of available-for-sale securities	(207,132)	(88,673)	(87,657)
Maturities of available-for-sale securities	205,224	85,335	85,306
Sales of available-for-sale securities	--	3,730	2,483
Increase in loans to subsidiaries	(28,000)	--	(90,000)
Other	(857)	(2)	(556)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(30,765)	390	(90,424)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock	\$ 60,951	\$ 2,800	\$ --
Other	2,869	(118)	2,959
NET CASH PROVIDED BY FINANCING ACTIVITIES	63,820	2,682	2,959
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,007)	4,420	524
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,107	687	163

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CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	100	\$	5,107	\$	687
		=====		=====		=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:						
Cash paid during the period for:						
Interest, including intercompany						
interest (net of amount capitalized)	\$	3,666	\$	1,755	\$	1,701
Income taxes, net of refunds	\$	--	\$	23	\$	70
		=====		=====		=====

See accompanying notes to condensed financial information.

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Schedule I

MCDERMOTT INTERNATIONAL, INC.  
(PARENT COMPANY ONLY)  
NOTES TO CONDENSED FINANCIAL INFORMATION  
DECEMBER 31, 2005

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - CONTINGENCIES

As of December 31, 2005, McDermott International, Inc. ("MII") had one outstanding performance guarantee for a contract executed by The Babcock & Wilcox Company ("B&W"). The guarantee has a cap of \$3.2 million, which has expired. Additionally, MII had outstanding performance guarantees for one contract executed by Volund, a subsidiary of B&W. This guarantee will expire on December 31, 2007, and has an aggregate cap of \$0.8 million. These projects have all been completed, and MII has never had to satisfy a performance guaranty for Volund or B&W. Under the terms of an agreement between MII and B&W, B&W must reimburse MII for any costs MII may incur under any of these performance guarantees. As of December 31, 2005, B&W had sufficient liquidity to cover its obligations under this agreement. However, if Volund incurs and is unable to satisfy substantial warranty liabilities on these projects prior to expiration of the guaranty periods and B&W is not able to satisfy its contractual obligation to MII, and such liabilities are not covered by insurance, MII would be liable.

At the time of the B&W bankruptcy filing, MII was a maker or a guarantor of outstanding letters of credit aggregating approximately \$146.5 million, which were issued in connection with the business operations of B&W and its subsidiaries. At that time, MI and BWICO were similarly obligated with respect to additional letters of credit aggregating approximately \$24.9 million, which were issued in connection with the business operations of B&W and its subsidiaries. Although a permitted use of the debtor-in-possession revolving credit and letter of credit facility (the "DIP Credit Facility") is the issuance of new letters of credit to backstop or replace these preexisting letters of



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credit, each of MII, MI and BWICO has agreed to indemnify and reimburse B&W and its filing subsidiaries for any customer draw on any letter of credit issued under the DIP Credit Facility to backstop or replace any such preexisting letter of credit for which it has exposure and for the associated letter of credit fees paid under the facility. As of December 31, 2005, approximately \$11.1 million in letters of credit has been issued under the DIP Credit Facility to replace or backstop these preexisting letters of credit. All previous preexisting letters of credit have expired.

MII has agreed to indemnify our two surety companies for obligations of various subsidiaries of MII, including B&W and several of its subsidiaries, under surety bonds issued to meet bid bond and performance bond requirements imposed by their customers. As of December 31, 2005, the aggregate outstanding amount of surety bonds that were guaranteed by MII and issued in connection with the business operations of its subsidiaries was approximately \$36.0 million, of which \$31.9 million related to the business operations of B&W and its subsidiaries.

One of B&W's Canadian subsidiaries has received notice of a possible warranty claim on one of its projects. This project included a limited term performance bond totaling approximately \$140 million for which MII entered into an indemnity arrangement with the surety underwriters. At this time, B&W's subsidiary is analyzing the facts and circumstances surrounding this issue. It is possible that B&W's subsidiary may incur warranty costs in excess of amounts provided for as of December 31, 2005. It is also possible that a claim could be initiated by the B&W subsidiary's customer against the surety underwriter should certain events occur. If such a claim were successful, the surety could seek to recover from B&W's subsidiary the costs incurred in satisfying the customer claim. If the surety seeks recovery from B&W's subsidiary, we believe that B&W's subsidiary has adequate liquidity to satisfy its obligations. However, if claims are made by the surety against B&W's subsidiary, and B&W's subsidiary is unable to satisfy its obligations, MII could ultimately have to satisfy any claims. This surety bond is not included in our disclosures above as the project is deemed complete and in the warranty phase. In addition, BWICO has provided a

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parent company guarantee to the customer of the B&W subsidiary for contract performance associated with this project.

### NOTE 3 - DIVIDENDS RECEIVED

McDermott International, Inc. received dividends from its consolidated subsidiaries of \$0.3 million, \$5.7 million and \$98.9 million for the years ended December 31, 2005, 2004 and 2003, respectively.

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### SIGNATURE OF THE REGISTRANT

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

MCDERMOTT INTERNATIONAL, INC.

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s/ Francis S. Kalman

-----  
By: Francis S. Kalman  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer and  
Duly Authorized Representative)

s/ Michael S. Taff

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

March 31, 2006

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EXHIBIT INDEX

Exhibit  
Number  
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23.1	Consent of Independent Registered Public Accounting Firm
99	Supplementary Financial Information on Panamanian Securities Regulations

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