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$

40.0

$

(6.5

)

Calculated EBITDA - Cumulative/TTM(1)

$

198.8

$

130.9

$

58.0

$

33.5

$

(6.5

)

[1] TTM starts from April 2014

Cash and Cash Equivalents

In the aggregate, our cash and cash equivalents and restricted cash decreased by $52.5 million to $800.4 million as of March 31, 2015 from $852.9 million as of December 31, 2014.

As of March 31, 2015, we had current restricted cash and cash equivalents totaling $199.8 million compared to $187.6 million as of December 31, 2014. The amount at March 31, 2015 includes $177.4 million of cash collateral for letters of credit which generally may be replaced with letters of credit under the LC Facility.

Our current assets, less current liabilities, excluding cash and cash equivalents and current restricted cash, improved by $12.8 million to a negative $199.4 million at March 31, 2015 from a negative $212.2 million at December 31, 2014, primarily due to the increase in accounts receivable.

Cash Flow Activities

Operating activities. Our net cash used in operating activities was $18.5 million in the three months ended March 31, 2015, as compared to the $22.3 million used in the three months ended March 31, 2014.

During the quarter ended March 31, 2015 and in the first half of April 2015, we reached agreements with a representative we previously utilized in our Middle East operations and certain of its affiliates and associates regarding: (1) the value and timing of payment of ongoing future amounts that were to be paid under a representation agreement that we elected to allow to expire, with respect to: (a) commissions on customer contracts that we had entered into prior to such expiration; and (b) future commissions payable on customer contracts we expected to enter into during a specified post-expiration period under the representation agreement (pursuant to provisions that provided for commissions to be payable on customer contracts entered into during such post-expiration period); and (2) our repurchase of shares of capital stock in one of our subsidiaries previously held by them. Under the new agreements, we agreed to make a series of payments in respect of the commissions that were expected to become due and payable under the prior arrangement. The majority of those payments have been made as of the date of this report, including approximately $21.0 million paid in the quarter ended March 31, 2015 and approximately $25.5 million was paid in April 2015. In connection with those payments, we have recorded amounts in both “contracts in progress” and “other assets,” which we intend to reduce over time as expenses are recognized on the associated customer contracts in accordance with percentage-of-completion accounting.

Investing activities. Our net cash used in investing activities was $39.0 million in the three months ended March 31, 2015, compared to cash used in investing activities of $43.0 million in the three months ended March 31, 2014. These cash uses, in both periods, primarily related to the capital expenditure discussed below.

Financing activities. Our net cash used in financing activities was $6.0 million in the three months ended March 31, 2015 as compared to net cash provided by financing activities of $214.8 million in the three months ended March 31, 2014. The change was primarily attributable to short-term financing obtained in the first quarter ended March 31, 2014.

Capital Expenditures

Our management regularly evaluates our marine vessel fleet and fabrication facilities to ensure our capability is adequately aligned with our overall growth strategy. These assessments may result in capital expenditures to upgrade, acquire or operate vessels and cost associated with fabrication facilities upgrade that would enhance or grow our technical capabilities, or may involve engaging in discussions to dispose of certain marine vessels or fabrication facilities.

Capital expenditures for the three months ended March 31, 2015 were $24.0 million, as compared to $37.9 million for the three months ended March 31, 2014. Capital expenditures for the three months ended March 31, 2015 were primarily attributable to the construction of the Deepwater Lay Vessel (“DLV 2000”), as well as costs associated with upgrading the capabilities of other marine vessels. Capital expenditures for the three months ended March 31, 2014 were primarily attributable to the construction of the Construction Support Vessel (“CSV 108”) and the continued development of our Altamira Mexico fabrication facility, as well as costs associated with upgrading the capabilities of other marine vessels. The construction of the CSV 108 was substantially complete at December 31, 2014, and the vessel was put into service in February 2015. As of March 31, 2015 the remaining obligations on the DLV 2000 amounted to $235.1 million, with $210.5 million and $24.6 million due in the years ending December 31, 2015 and 2016, respectively.

Derivative Contracts

We previously entered into derivative contracts to mitigate currency exchange movements primarily associated with certain firm purchase commitments and various foreign currency expenditures we expect to incur on one of our ASA segment’s EPCI projects through 2017. Although we currently believe that these contracts will be effective in mitigating the associated currency exchange risks, it is possible that changes in the project may cause reduced effectiveness of these derivative contracts. Therefore, we may experience larger gains or losses on foreign currency movements due to the ineffective portion or the portion excluded from the assessment of effectiveness of these and other derivative contracts.

At March 31, 2015, our derivative financial instruments consisted primarily of foreign currency forward contracts. The notional value of our outstanding derivative contracts totaled approximately $631.4 million at March 31, 2015, with maturities extending through 2017. Of this amount, approximately $424.8 million is associated with various foreign currency expenditures we expect to incur on the ASA segment EPCI project.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, our results of operations are exposed to certain market risks, primarily associated with fluctuations in currency exchange rates and interest rate risk. Our exposure to market risk from changes in interest rates relates primarily to our Term Loan, cash equivalents and our investment portfolio, which primarily consists of investments in commercial paper and other highly liquid money market instruments denominated in U.S. dollars. We are averse to principal loss and seek to ensure the safety and preservation of our invested funds by limiting default risk, market risk and reinvestment risk. All of our investments in debt securities are classified as available-for-sale.

We have operations in many locations around the world, and, as a result, our financial results could be significantly affected by factors such as changes in currency exchange rates or weak economic conditions in foreign markets. In order to manage the risks associated with currency exchange rate fluctuations, we attempt to hedge those risks with foreign currency derivative instruments. Historically, we have hedged those risks with foreign currency forward contracts. In certain cases, contracts with our customers may contain provisions under which payments from our customers are denominated in U.S. Dollars and in a foreign currency. The payments denominated in a foreign currency are designed to compensate us for costs that we expect to incur in such foreign currency. In these cases, we may use derivative instruments to reduce the risks associated with currency exchange rate fluctuations arising from differences in timing of our foreign currency cash inflows and outflows. Our operational cash flows and cash balances, though predominately held in U.S. dollars, may consist of different currencies at various points in time in order to execute our project contracts globally. Non-U.S. denominated asset and liability balances are subject to currency fluctuations when measured period to period for financial reporting purposes in U.S. dollars.

We have exposure to changes in interest rates under the Term Loan. As of March 31, 2015, we had no material future earnings or cash flow exposures from changes in interest rates on our other outstanding debt obligations, as substantially all of those obligations had fixed interest rates.

Our operational cash flows and cash balances, though predominately held in U.S. dollars, may consist of different currencies at various points in time in order to execute our project contracts globally. Non-U.S. denominated asset and liability balances are subject to currency fluctuations when measured period to period for financial reporting purposes in U.S. dollars.

Interest Rate Sensitivity

The following tables provide information about our financial instruments that are sensitive to changes in interest rates. The tables present principal cash flows and related weighted-average interest rates by expected maturity dates.

At March 31, 2015:	Principal Amount by Expected Maturity (in thousands)							
	Years Ending December 31,							Fair Value at March 31, 2015
	2015	2016	2017	2018	2019	Thereafter	Total	
Investments	$1,400	$-	$-	$-	$-	$751	$2,151	$2,151
Average Interest Rate	0.21 %							
Long-term Debt — fixed rate	20,071	25,274	17,558	8,616	9,403	508,169	589,091	479,031
Average Interest Rate	7.59 %	7.66 %	7.74 %	7.81 %	7.90 %	7.98 %		
Long-term Debt — floating rate	2,250	3,000	3,000	3,000	286,500	-	297,750	294,588
Average Interest Rate	5.25 %	5.48 %	6.05 %	6.35 %	6.47 %			

At December 31, 2014:	Principal Amount by Expected Maturity (in thousands)							
	Years Ending December 31,							Fair Value at December 31, 2014
	2015	2016	2017	2018	2019	Thereafter	Total	

Investments	$1,699	-	-	-	-	$2,216	$3,915	$3,915
Average Interest Rate	0.21 %							
Long-term Debt — fixed rate	24,026	25,274	17,558	8,616	9,403	508,170	593,047	448,993
Average Interest Rate	7.58 %	7.64 %	7.72 %	7.79 %	7.87 %	7.97 %		
Long-term Debt — floating rate	3,000	3,000	3,000	3,000	286,500	-	298,500	288,987
Average Interest Rate	5.25 %	5.86 %	6.53 %	6.72 %	6.86 %			

Currency Exchange Rate Sensitivity

The following table provides information about our foreign currency forward contracts outstanding at March 31, 2015 and presents such information in U.S. dollar equivalents. The table presents notional amounts and related weighted-average exchange rates by expected (contractual) maturity dates and constitutes a forward-looking statement. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract. The average contractual exchange rates are expressed using market convention, which is dependent on the currencies being bought and sold under the forward contract.

Forward Contracts to Purchase or Sell Foreign Currencies in U.S. Dollars (in thousands)

Foreign Currency	Year Ending December 31, 2015	Fair Value at March 31, 2015	Average Contractual Exchange Rate
Australian Dollar	$ 177,147	$ (20,478)	0.8660
Danish Krone	32,472	(2,778)	6.3399
Euros	75,486	(3,335)	1.1288
Pound Sterling	8,497	(80)	1.5097
Indian Rupee	5,674	(59)	63.4508
Norwegian Kroner	83,857	(1,832)	7.6902
Singapore Dollar	121,844	(7,995)	1.2878

Foreign Currency	Year Ending December 31, 2016	Fair Value at March 31, 2015	Average Contractual Exchange Rate
Australian Dollar	$ 77,104	$ (15,037)	0.9349
Danish Krone	6,654	(1,231)	5.6143
Pound Sterling	861	(14)	1.6431
Norwegian Kroner	22,184	(2,190)	7.2080

Foreign Currency	Year Ending December 31, 2017	Fair Value at March 31, 2015	Average Contractual Exchange Rate
Australian Dollar	$ 19,632	$ (3,427)	0.9062

Item 4. Controls and Procedures

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) adopted by the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Our disclosure controls and procedures were developed through a process in which our management applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding the control objectives. You should note that the design of any system of disclosure controls and procedures is based in part upon various assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based on the evaluation referred to above, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures are effective as of March 31, 2015 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and such information is accumulated and communicated to management, including our principal executive and principal financial officers or persons performing similar functions, as appropriate to allow timely decisions regarding disclosure. There has been no change in our internal control over financial reporting during the quarter ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding ongoing investigations and litigation, see Note 14 to our unaudited Consolidated Financial Statements in Part I of this report, which we incorporate by reference into this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information on our purchases of equity securities during the quarter ended March 31, 2015, all of which involved repurchases of shares of MII common stock in connection with the vesting of restricted stock units pursuant to the provisions of employee benefit plans that permit the repurchase of common stock to satisfy statutory tax withholding obligations associated with the vesting of restricted stock units:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1 - January 31, 2015	167	$ 3.04	not applicable	not applicable
February 1 - February 28, 2015	121	2.77	not applicable	not applicable
March 1 - March 31, 2015	300,265	3.34	not applicable	not applicable
	300,553	$ 3.34		

Item 5.Other Information

On May 8, 2015, our Board of Directors appointed Kelly C. Janzen as Vice President, Finance and Chief Accounting Officer, effective May 12, 2015. Ms. Janzen will serve as our principal accounting officer. Also effective May 12, 2015, Mr. Stuart Spence, our Executive Vice President and Chief Financial Officer, will cease to also serve as our principal accounting officer.

Ms. Janzen joined McDermott in December 2014 and has served as Vice President, Finance and Corporate Controller, McDermott International Management, S. de RL., since that time. Previously, she served as: Distributed Power Global Controller for General Electric Company, a multinational conglomerate corporation ("GE"), from April 2013 to November 2014; Operational Controller, Global Growth and Operations, GE from August 2011 to April 2013; Global

Assistant Controller for GE Healthcare, a division of GE from August 2010 to August 2011; Americas Controller for GE Healthcare from March 2007 to August 2010; and other positions of increasing responsibility since she joined GE in February 2002. Ms. Janzen is a Certified Public Accountant.

Ms. Janzen does not have any interest in any transactions requiring disclosure under Item 404(a) of Regulation S-K and there are no arrangements or understandings between Ms. Janzen and any other person pursuant to which she was appointed as an officer of MII.

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Item 6. Exhibits

Exhibit Number	Description
3.1*	McDermott International, Inc.'s Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 (File No. 1-08430)).
3.2*	McDermott International, Inc.'s Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 (File No. 1-08430)).
3.3*	Amended and Restated Certificate of Designation of Series D Participating Preferred Stock of McDermott International, Inc. (incorporated by reference to Exhibit 3.3 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No. 1-08430)).
4.1*	Assumption Agreement, dated January 16, 2015, by and among North Ocean II KS, North Ocean II AS, McDermott Blackbird Holdings, LLC and Crédit Agricole Corporate and Investment Bank, as administrative agent and collateral agent for the LC Facility and the Term Loan (incorporated by reference to Exhibit 4.21 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).
4.2*	Assumption Agreement, dated January 16, 2015, by and among North Ocean II KS, North Ocean II AS, McDermott Blackbird Holdings, LLC and Wells Fargo Bank, National Association, as collateral agent for the Secured Parties (incorporated by reference to Exhibit 4.22 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).
4.3*	First Supplemental Indenture and Guarantee, dated January 16, 2015, by and among North Ocean II KS, North Ocean II AS, McDermott Blackbird Holdings, LLC, McDermott International, Inc., as the Issuer, each other then-existing Guarantor under the Indenture, Wells Fargo Bank, National Association, as Trustee, paying agent, registrar, and Wells Fargo Bank, National Association, as Collateral Agent (incorporated by reference to Exhibit 4.23 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).
10.1*	Form of 2015 Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.31 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).
10.2*	Form of 2015 Performance Share Grant Agreement (incorporated by reference to Exhibit 10.32 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).
10.3	Form of 2015 Non-Executive Director Restricted Stock Grant Letter.
12.1	Ratio of Earnings to Fixed Charges.
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101.SCH XBRL	Taxonomy Extension Schema Document
101.CAL XBRL	Taxonomy Extension Calculation Linkbase Document
101.LAB XBRL	Taxonomy Extension Label Linkbase Document
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document

*Incorporated by reference to the filing indicated.

SIGNATURES

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

May 11, 2015

McDERMOTT INTERNATIONAL, INC.

By: /s/ Stuart Spence
Stuart Spence

Executive Vice President and Chief Financial Officer

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