

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2023  
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 1-13926

**DIAMOND OFFSHORE DRILLING, INC.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation  
or organization)

76-0321760  
(I.R.S. Employer  
Identification No.)

15415 Katy Freeway  
Houston, Texas  
77094  
(Address of principal executive offices)  
(Zip Code)  
(281) 492-5300  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	DO	New York Stock Exchange

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 3, 2023 Common stock, \$0.0001 par value per share 102,322,002 shares.

DIAMOND OFFSHORE DRILLING, INC.  
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QUARTER ENDED SEPTEMBER 30, 2023

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements.**

**DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In thousands, except par value amounts)

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 146,826	\$ 63,041
Restricted cash	25,556	34,293
Accounts receivable	177,123	177,675
Less: allowance for credit losses	(5,698)	(5,622)
Accounts receivable, net	171,425	172,053
Prepaid expenses and other current assets	136,211	48,695
Asset held for sale	1,000	—
Total current assets	481,018	318,082
<b>Drilling and other property and equipment, net of accumulated depreciation</b>	1,157,337	1,141,908
<b>Other assets</b>	167,453	67,966
Total assets	\$ 1,805,808	\$ 1,527,956
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 54,927	\$ 47,647
Accrued liabilities	163,412	166,785
Taxes payable	27,491	30,264
Current finance lease liabilities	15,655	16,965
Total current liabilities	261,485	261,661
<b>Long-term debt</b>	535,194	360,644
<b>Noncurrent finance lease liabilities</b>	117,889	131,393
<b>Deferred tax liability</b>	702	700
<b>Other liabilities</b>	103,377	93,888
<b>Commitments and contingencies (Note 7)</b>		
Total liabilities	1,018,647	848,286
<b>Stockholders' equity:</b>		
Preferred stock (par value \$0.0001, 50,000 shares authorized, none issued and outstanding at September 30, 2023 and December 31, 2022)	—	—
Common stock (par value \$0.0001, 750,000 shares authorized; 103,189 shares issued and 102,322 shares outstanding at September 30, 2023 and 101,884 shares issued and 101,320 shares outstanding at December 31, 2022)	10	10
Additional paid-in capital	975,177	964,467
Treasury stock	(8,493)	(4,252)
Accumulated deficit	(179,559)	(280,555)
Accumulated other comprehensive income	26	—
Total stockholders' equity	787,161	679,670
Total liabilities and stockholders' equity	\$ 1,805,808	\$ 1,527,956

The accompanying notes are an integral part of the condensed consolidated financial statements.

**DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except per share data)

	Three Months Ended September 30,	
	2023	2022
<b>Revenues:</b>		
Contract drilling	\$ 224,929	\$ 189,861
Revenues related to reimbursable expenses	20,029	36,212
Total revenues	244,958	226,073
<b>Operating expenses:</b>		
Contract drilling, excluding depreciation	181,954	155,567
Reimbursable expenses	18,662	35,765
Depreciation	27,785	26,069
General and administrative	16,649	16,320
Gain on disposition of assets	(955)	(73)
Total operating expenses	244,095	233,648
<b>Operating income (loss)</b>	863	(7,575)
<b>Other income (expense):</b>		
Interest income	161	11
Interest expense, net of amounts capitalized	(13,774)	(10,364)
Foreign currency transaction gain	184	237
Loss on extinguishment of long-term debt	(6,529)	—
Other, net	(485)	172
<b>Loss before income tax (expense) benefit</b>	(19,580)	(17,519)
<b>Income tax (expense) benefit</b>	(125,436)	23,029
<b>Net (loss) income</b>	<u>\$ (145,016)</u>	<u>\$ 5,510</u>
<b>(Loss) earnings per share</b>		
Basic	<u>\$ (1.42)</u>	<u>\$ 0.05</u>
Diluted	<u>\$ (1.42)</u>	<u>\$ 0.05</u>
<b>Weighted-average shares outstanding</b>		
Basic	<u>102,215</u>	<u>100,875</u>
Diluted	<u>102,215</u>	<u>102,273</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except per share data)

	Nine Months Ended September 30,	
	2023	2022
<b>Revenues:</b>		
Contract drilling	\$ 704,302	\$ 516,992
Revenues related to reimbursable expenses	54,240	101,022
Total revenues	758,542	618,014
<b>Operating expenses:</b>		
Contract drilling, excluding depreciation	568,390	442,619
Reimbursable expenses	51,454	99,932
Depreciation	83,596	78,714
General and administrative	53,058	52,805
Gain on disposition of assets	(4,102)	(4,802)
Total operating expenses	752,396	669,268
<b>Operating income (loss)</b>	6,146	(51,254)
<b>Other income (expense):</b>		
Interest income	173	12
Interest expense, net of amounts capitalized	(38,569)	(28,792)
Foreign currency transaction loss	(3,057)	(285)
Loss on extinguishment of long-term debt	(6,529)	—
Other, net	(502)	1,487
<b>Loss before income tax benefit</b>	(42,338)	(78,832)
<b>Income tax benefit</b>	143,334	28,059
<b>Net income (loss)</b>	<u>\$ 100,996</u>	<u>\$ (50,773)</u>
<b>Earnings (loss) per share</b>		
Basic	<u>\$ 0.99</u>	<u>\$ (0.51)</u>
Diluted	<u>\$ 0.97</u>	<u>\$ (0.51)</u>
<b>Weighted-average shares outstanding</b>		
Basic	<u>101,681</u>	<u>100,356</u>
Diluted	<u>104,256</u>	<u>100,356</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)  
(In thousands)

	Three Months Ended September 30,	
	2023	2022
<b>Net (loss) income</b>	\$ (145,016)	\$ 5,510
<b>Other comprehensive income, net</b>		
Unrealized gain on marketable securities (net of tax of \$3)	26	—
<b>Comprehensive (loss) income</b>	\$ (144,990)	\$ 5,510

	Nine Months Ended September 30,	
	2023	2022
<b>Net income (loss)</b>	\$ 100,996	\$ (50,773)
<b>Other comprehensive income, net</b>		
Unrealized gain on marketable securities (net of tax of \$3)	26	—
<b>Comprehensive income (loss)</b>	\$ 101,022	\$ (50,773)

The accompanying notes are an integral part of the condensed consolidated financial statements.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY

(Unaudited)  
(In thousands)

Three Months Ended September 30, 2023

	Common Stock		Additional	Accumulated	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Deficit	Other Comprehensive Income	Shares	Amount	Stockholders' Equity
<b>July 1, 2023</b>	101,667	\$ 10	\$ 972,445	\$ (34,543)	\$ —	627	\$ (4,986)	\$ 932,926
Net loss	—	—	—	(145,016)	—	—	—	(145,016)
Stock-based compensation, net of tax	655	—	2,732	—	—	240	(3,507)	(775)
Unrealized gain on marketable securities	—	—	—	—	26	—	—	26
<b>September 30, 2023</b>	<u>102,322</u>	<u>\$ 10</u>	<u>\$ 975,177</u>	<u>\$ (179,559)</u>	<u>\$ 26</u>	<u>867</u>	<u>\$ (8,493)</u>	<u>\$ 787,161</u>

Nine Months Ended September 30, 2023

	Common Stock		Additional	Accumulated	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Deficit	Other Comprehensive Income	Shares	Amount	Stockholders' Equity
<b>January 1, 2023</b>	101,320	\$ 10	\$ 964,467	\$ (280,555)	\$ —	564	\$ (4,252)	\$ 679,670
Net income	—	—	—	100,996	—	—	—	100,996
Stock-based compensation, net of tax	1,002	—	10,710	—	—	303	(4,241)	6,469
Unrealized gain on marketable securities	—	—	—	—	26	—	—	26
<b>September 30, 2023</b>	<u>102,322</u>	<u>\$ 10</u>	<u>\$ 975,177</u>	<u>\$ (179,559)</u>	<u>\$ 26</u>	<u>867</u>	<u>\$ (8,493)</u>	<u>\$ 787,161</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited)  
(In thousands)

Three Months Ended September 30, 2022

	Common Stock		Additional	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Stockholders' Equity
July 1, 2022	100,131	\$ 10	\$ 957,608	\$ (233,627)	18	\$ (139)	\$ 723,852
Net income	—	—	—	5,510	—	—	5,510
Stock-based compensation, net of tax	1,035	—	3,902	—	446	(3,075)	827
September 30, 2022	<u>101,166</u>	<u>\$ 10</u>	<u>\$ 961,510</u>	<u>\$ (228,117)</u>	<u>464</u>	<u>\$ (3,214)</u>	<u>\$ 730,189</u>

Nine Months Ended September 30, 2022

	Common Stock		Additional	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Deficit	Shares	Amount	Stockholders' Equity
January 1, 2022	100,075	\$ 10	\$ 945,039	\$ (177,344)	—	\$ —	\$ 767,705
Net loss	—	—	—	(50,773)	—	—	(50,773)
Stock-based compensation, net of tax	1,091	—	16,471	—	464	(3,214)	13,257
September 30, 2022	<u>101,166</u>	<u>\$ 10</u>	<u>\$ 961,510</u>	<u>\$ (228,117)</u>	<u>464</u>	<u>\$ (3,214)</u>	<u>\$ 730,189</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.



**DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	Nine Months Ended September 30,	
	2023	2022
<b>Operating activities:</b>		
Net income (loss)	\$ 100,996	\$ (50,773)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	83,596	78,714
Gain on disposition of assets	(4,102)	(4,802)
Loss on extinguishment of long-term debt	6,529	—
Deferred tax provision	(110,651)	(27,162)
Stock-based compensation expense	10,941	16,471
Contract liabilities	(7,111)	(19,725)
Contract assets	(4,183)	1,330
Deferred contract costs, net	(4,576)	(4,193)
Collateral deposits	(16,773)	17,479
Other assets, noncurrent	3,489	(547)
Other liabilities, noncurrent	12,581	(160)
Other	2,089	1,275
Changes in operating assets and liabilities:		
Accounts receivable	3,659	(33,575)
Prepaid expenses and other current assets	(29,259)	(979)
Current income tax assets	(49,664)	—
Accounts payable and accrued liabilities	9,902	20,884
Taxes payable	12,742	(16,167)
Net cash provided by (used in) operating activities	20,205	(21,930)
<b>Investing activities:</b>		
Capital expenditures	(99,878)	(42,653)
Proceeds from disposition of assets, net of disposal costs	857	5,861
Net cash used in investing activities	(99,021)	(36,792)
<b>Financing activities:</b>		
Proceeds from issuance of second lien notes	550,000	—
Borrowings under exit facilities	40,000	69,000
Extinguishment of long-term debt	(192,182)	—
Repayments of exit facilities	(214,000)	—
Debt issuance costs and arrangement fees	(15,140)	—
Principal payment of finance leases	(14,814)	(11,765)
Net cash provided by financing activities	153,864	57,235
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>75,048</b>	<b>(1,487)</b>
Cash, cash equivalents and restricted cash, beginning of period	97,334	62,729
Cash, cash equivalents and restricted cash, end of period	<u>\$ 172,382</u>	<u>\$ 61,242</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

## DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

### NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. General Information

The unaudited condensed consolidated financial statements of Diamond Offshore Drilling, Inc. and subsidiaries, which we refer to as "Diamond Offshore," "Company," "we," "us" or "our," should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022.

#### *Interim Financial Information*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (or GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, pursuant to such rules and regulations, they do not include all disclosures required by GAAP for annual financial statements. The condensed consolidated financial information has not been audited but, in the opinion of management, includes all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of Diamond Offshore's condensed consolidated balance sheets, statements of operations, statements of comprehensive (loss) income, statements of stockholders' equity and statements of cash flows at the dates and for the periods indicated. Results of operations for interim periods are not necessarily indicative of results of operations for the respective full years.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation. These reclassifications did not have a material effect on our unaudited condensed consolidated financial statements.

#### *Use of Estimates in the Preparation of Financial Statements*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

#### *Restricted Cash*

We maintain a restricted cash bank account which is subject to restrictions pursuant to a management services agreement with an offshore drilling company. See Note 2 "Revenue from Contracts with Customers."

We classify such restricted cash accounts in current assets if the restrictions are expected to expire or otherwise be resolved within one year or if such funds are considered to offset current liabilities. At September 30, 2023 and December 31, 2022, our restricted cash was considered to be current and was recorded in "Restricted cash" in our unaudited Condensed Consolidated Balance Sheets.

#### *Asset Held for Sale*

We reported the \$1.0 million carrying value of the *Ocean Monarch* as "Asset held for sale" in our unaudited Condensed Consolidated Balance Sheet at September 30, 2023. A broker has been engaged to assist in marketing the rig for sale.

## 2. Revenue from Contracts with Customers

The activities that primarily drive the revenue earned from our contract drilling services include (i) providing a drilling rig and the crew and supplies necessary to operate the rig, (ii) mobilizing and demobilizing the rig to and from the drill site and (iii) performing rig preparation activities and/or modifications required for the contract. Consideration received for performing these activities may consist of dayrate drilling revenue, mobilization and demobilization revenue, contract preparation revenue and reimbursement revenue. We account for these integrated services provided within our drilling contracts as a single performance obligation satisfied over time and comprised of a series of distinct time increments in which we provide drilling services.

Consideration for activities that are not distinct within the context of our contracts and do not correspond to a distinct time increment within the contract term are allocated across the single performance obligation and recognized ratably over the initial term of the contract (which is the period we estimate to be benefited from the corresponding activities and generally ranges from two to 60 months). Such consideration may include mobilization, demobilization, contract preparation and capital modification revenue that is stipulated in our drilling contracts. Consideration for activities that correspond to a distinct time increment within the contract term is recognized in the period when the services are performed. The total transaction price is determined for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract.

### *Revenues Related to Managed Rigs*

We are participants in an arrangement with an offshore drilling company whereby we provide management and marketing services (or the MSA) for certain of its rigs. Per the MSA, for stacked rigs we earn a daily service fee and are entitled to reimbursement of direct costs incurred in accordance with the agreement. The daily service fee revenue is recognized in line with the contractual rate billed for the services provided and is reported in "Contract drilling revenue" in our unaudited Condensed Consolidated Statements of Operations. We record the revenue relating to reimbursed expenses at the gross amount incurred and billed to the rig owner, as "Revenues related to reimbursable expenses" in our unaudited Condensed Consolidated Statements of Operations. In April 2023, we received notice of termination of the marketing arrangement for the managed rigs, which will be effective in the third quarter of 2023. However, termination of the marketing arrangement does not impact the management services that we provide under the MSA.

The managed rigs *West Auriga* and *West Vela* commenced operations in the U.S. Gulf of Mexico (or GOM) in 2022. Both rigs are currently under contract; however, we expect each rig to complete their respective contracts in 2024.

Upon commencement of drilling operations, the MSA for both rigs was suspended and replaced by a charter agreement for the duration of the drilling contracts. We entered into the drilling contract directly with the customer and recognize revenue under the terms of the contract. We report such revenue as "Contract drilling revenue" in our unaudited Condensed Consolidated Statements of Operations. In addition, we have determined that the charter arrangement is an operating lease, and the related charter fee has been reported as lease expense within "Contract drilling, excluding depreciation" in our unaudited Condensed Consolidated Statements of Operations.

### Contract Balances

The following table provides information about receivables, contract assets and contract liabilities related to our contracts with customers (in thousands):

	September 30, 2023	December 31, 2022
Trade receivables	\$ 170,596	\$ 155,956
Current contract assets <sup>(1)</sup>	4,324	141
Current contract liabilities (deferred revenue) <sup>(1)</sup>	(4,888)	(11,513)
Noncurrent contract liabilities (deferred revenue) <sup>(1)</sup>	—	(487)

<sup>(1)</sup>Contract assets and contract liabilities may reflect balances which have been netted together on a contract basis. Net current contract asset and liability balances are included in "Prepaid expenses and other current assets" and "Accrued liabilities," respectively, and net noncurrent contract liability balances are included in "Other liabilities" in our unaudited Condensed Consolidated Balance Sheets.

Changes in the contract assets and the contract liabilities balances during the period are as follows (in thousands):

	Contract Assets	Contract Liabilities
Balance as of December 31, 2022	\$ 141	\$ (12,000)
Decrease due to amortization of revenue included in the beginning contract liability balance	—	9,266
Increase due to cash received, excluding amounts recognized as revenue during the period	—	(2,154)
Increase due to revenue recognized during the period but contingent on future performance	6,551	—
Decrease due to transfer to receivables during the period	(2,368)	—
Balance as of September 30, 2023	<u>\$ 4,324</u>	<u>\$ (4,888)</u>

### Transaction Price Allocated to Remaining Performance Obligations

The following table reflects the specified types of revenue expected to be recognized in the future related to unsatisfied performance obligations as of September 30, 2023 (in thousands):

	For the Years Ending December 31,		
	2023 <sup>(1)</sup>	2024	Total
Mobilization and contract preparation revenue	\$ (633)	\$ (933)	\$ (1,566)
Capital modification revenue	(1,673)	(1,649)	(3,322)
Total	<u>\$ (2,306)</u>	<u>\$ (2,582)</u>	<u>\$ (4,888)</u>

<sup>(1)</sup>Represents the three-month period beginning October 1, 2023.

The revenue included above consists of expected fixed mobilization and upgrade revenue for both wholly and partially unsatisfied performance obligations, as well as expected variable mobilization and upgrade revenue for partially unsatisfied performance obligations, which has been estimated for purposes of allocating across the entire corresponding performance obligations. The actual timing of recognition of such amounts may vary due to factors outside of our control. We have applied certain disclosure practical expedients and, accordingly, have excluded estimated variable consideration related to wholly unsatisfied performance obligations or to distinct future time increments within our contracts, including dayrate revenue.

### 3. Supplemental Financial Information

#### Unaudited Condensed Consolidated Balance Sheets Information

Accounts receivable, net of allowance for credit losses, consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Trade receivables	\$ 170,596	\$ 155,956
Value added tax receivables	5,560	6,075
Related party receivables	42	73
Federal income tax receivables	—	9,450
Other	925	6,121
	177,123	177,675
Allowance for bad debts	(5,698)	(5,622)
Total	<u>\$ 171,425</u>	<u>\$ 172,053</u>

The allowance for credit losses at September 30, 2023 and December 31, 2022 represents our estimate of credit losses associated with our "Trade receivables" and "Current contract assets." See Note 4 "Financial Instruments and Fair Value Disclosures" for a discussion of our concentrations of credit risk and allowance for credit losses.

Prepaid expenses and other current assets consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Current income tax asset	\$ 49,664	\$ —
Prepaid taxes	21,918	16,922
Deferred contract costs	17,525	14,373
Collateral deposit	16,773	—
Rig spare parts and supplies	10,824	5,091
Prepaid insurance	4,457	3,022
Current contract assets	4,324	141
Prepaid rig costs	4,185	4,001
Software maintenance agreements and subscriptions	1,560	1,212
Deferred survey costs	1,240	838
Other	3,741	3,095
Total	<u>\$ 136,211</u>	<u>\$ 48,695</u>

Accrued liabilities consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Contract advances	\$ 52,414	\$ 52,743
Rig operating costs	36,692	39,288
Payroll and benefits	33,211	29,408
Accrued capital project/upgrade costs	13,764	8,419
Personal injury and other claims	6,198	3,738
Shorebase and administrative costs	5,457	4,365
Current operating lease liability	4,905	13,480
Deferred revenue	4,888	11,513
Interest payable	1,334	1,897
Deposit for equipment sale	1,207	1,670
Other	3,342	264
Total	<u>\$ 163,412</u>	<u>\$ 166,785</u>

Other assets consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Noncurrent deferred tax assets	\$ 121,264	\$ 10,612
Operating lease right of use assets	18,810	30,332
Noncurrent receivables	8,677	13,030
Noncurrent milestone payments	5,804	856
Deferred debt arrangement fees	4,188	6,716
Deferred inspection costs, noncurrent	3,829	2,489
Noncurrent deposits	1,461	1,531
Other	3,420	2,400
Total	<u>\$ 167,453</u>	<u>\$ 67,966</u>

*Unaudited Condensed Consolidated Statements of Cash Flows Information*

Noncash operating, investing and financing activities excluded from the unaudited Condensed Consolidated Statements of Cash Flows and other supplemental cash flow information are as follows (in thousands):

	Nine Months Ended September 30, 2023	2022
Accrued but unpaid capital expenditures at period end	\$ 13,764	\$ 2,226
Common stock withheld for payroll tax obligations <sup>(1)</sup>	4,241	3,214
Cash interest payments	30,552	17,718
Cash income taxes paid, net of (refunds):		
Foreign	5,603	12,187
U.S. Federal	(5,019)	2,855
State	1	—

<sup>(1)</sup>Represents the cost of 302,833 and 463,951 shares of common stock withheld to satisfy payroll tax obligations incurred as a result of the vesting of restricted stock and restricted stock units during the nine-month periods ended September 30, 2023 and September 30, 2022, respectively, which is presented as a deduction from stockholders' equity in "Treasury stock" in our unaudited Condensed Consolidated Balance Sheets.

**4. Financial Instruments and Fair Value Disclosures**

*Concentrations of Credit Risk and Allowance for Credit Losses*

Our credit risk corresponds primarily to trade receivables. The market for our services is the offshore oil and gas industry, and our customer base consists primarily of major and independent oil and gas companies, as well as government-owned oil companies. At September 30, 2023, we believed that we had potentially significant concentrations of credit risk due to the number of rigs we had contracted and our limited number of customers, as some of our customers have contracted for multiple rigs.

In general, before working for a customer with whom we have not had a prior business relationship and/or whose financial stability may be uncertain, we perform a credit review on that customer, including a review of its credit ratings and financial statements. Based on our credit review, we may require that the customer have a bank issue a letter of credit on its behalf, prepay for the services in advance or provide other credit enhancements. At September 30, 2023, we had not required any credit enhancements by our customers or required any to pay for services in advance. We have historically used the specific identification method to identify and reserve for uncollectible accounts. The amounts reserved for uncollectible accounts in previous periods have not been significant, individually or in comparison to our total revenues. At September 30, 2023, \$6.6 million in trade receivables were considered past due by 30 days or more, of which \$5.5 million have been fully reserved. The remaining \$1.1 million were less than a year past due. We are working with our customers to resolve any billing issues and expect that the outstanding receivables will be collected or resolved.

Pursuant to Financial Accounting Standards Board (or FASB) Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and its related amendments (or collectively, CECL), we have reviewed our historical credit loss experience over a look-back period of ten years, which we deem to be representative of both up-turns and down-cycles in the offshore drilling industry. Based on this review, we developed a credit loss factor using a weighted-average ratio of our actual credit losses to revenues during the look-back period. In addition, we also considered current and future anticipated economic conditions in determining our credit loss factor, including crude oil prices and liquidity of credit markets. In applying the requirements of CECL, we segregated our trade receivables into three credit loss risk pools based on customer credit ratings, each of which represents a tier of increasing credit risk. We calculated a credit loss factor based on historical loss rate information and then applied a multiple of our credit loss factor to each of these risk pools, considering the impact of current and future economic information and the level of risk associated with these pools, to calculate our current estimate of credit losses. Trade receivables that are fully covered by allowances for credit losses are excluded from these risk pools for purposes of calculating our current estimate of credit losses.

For purposes of calculating our current estimate of credit losses at September 30, 2023 and December 31, 2022, all trade receivables were deemed to be in a single risk pool based on their credit ratings at each respective period. Our current estimate of credit losses under CECL was \$0.2 million at both September 30, 2023 and December 31, 2022. Our total allowance for credit losses was \$5.7 million and \$5.6 million at September 30, 2023 and December 31, 2022, respectively. See Note 3 “Supplemental Financial Information.”

#### *Fair Values*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy prescribed by GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

There are three levels of inputs that may be used to measure fair value:

- |         |   |
|---------|---|
| Level 1 | Quoted prices for identical instruments in active markets.  |
| Level 2 | Quoted market prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.   |
| Level 3 | Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Level 3 assets and liabilities generally include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation or for which there is a lack of transparency as to the inputs used. |

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis in accordance with GAAP. In addition, certain assets and liabilities may be recorded at fair value on a nonrecurring basis. Generally, we record assets at fair value on a nonrecurring basis as a result of impairment charges.

Assets and liabilities measured at fair value are summarized below (in thousands).

	September 30, 2023				
	Fair Value Measurements Using			Assets (Liabilities)	Total Losses for
	Level 1	Level 2	Level 3	at Fair Value	Nine Months Ended <sup>(2)</sup>
<b>Recurring fair value measurements:</b>					
Short-term investments <sup>(1)</sup>	\$ 109,880	\$ —	\$ —	\$ 109,880	\$ —
Liability-classified Director restricted stock units	(1,417)	—	—	(1,417)	(413)

<sup>(1)</sup>Represents short-term investments in debt securities classified as available-for-sale. As the original maturities of these debt securities are three months or less, we have reported that our \$109.9 million investment in these debt securities as Cash and cash equivalents in our unaudited Condensed Consolidated Balance Sheet at September 30, 2023.

<sup>(2)</sup>Represents an increase in stock compensation expense due to the "marking-to-market" of liability-classified restricted stock units granted to our non-employee directors.

	December 31, 2022				
	Fair Value Measurements Using				
	Level 1	Level 2	Level 3	Liabilities at Fair Value	Total Losses for Year Ended <sup>(1)</sup>
Recurring fair value measurements:					
Liability-classified Director restricted stock units	\$ (1,258)	\$ —	\$ —	\$ (1,258)	\$ (230)

<sup>(1)</sup>Represents an increase in stock compensation expense due to the "marking-to-market" of liability-classified restricted stock units granted to our non-employee directors.

We believe that the carrying amounts of our other financial assets and liabilities (excluding our Second Lien Notes, Exit Term Loans and First Lien Notes (each as defined below in Note 6 "Long-Term Debt")), which are not measured at fair value in our unaudited Condensed Consolidated Balance Sheets, approximate fair value based on the following assumptions:

- Cash and cash equivalents and restricted cash* – The carrying amounts approximate fair value because of the short maturity of these instruments.
- Accounts receivable and accounts payable* – The carrying amounts approximate fair value based on the nature of the instruments.
- Exit RCF borrowings* – The carrying amount of borrowings under our Exit RCF (as defined below in Note 6 "Long-Term Debt") approximates fair value since the variable interest rates are tied to current market rates and the applicable margins represent market rates.



Our long-term debt is not measured at fair value on a recurring basis; however, under the GAAP fair value hierarchy, our long-term debt would be considered Level 2 liabilities. The fair value of these instruments was derived using valuation specialists at September 30, 2023 and December 31, 2022.

Fair values and related carrying values of our long-term debt are shown below (in millions).

	September 30, 2023		December 31, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Second Lien Notes	\$ 550.4	\$ 550.0	\$ —	\$ —
Exit Term Loans	—	—	91.1	100.0
First Lien Notes	—	—	78.3	85.3

We have estimated the fair value amounts by using appropriate valuation methodologies and information available to management. Considerable judgment is required in developing these estimates, and accordingly, no assurance can be given that the estimated values are indicative of the amounts that would be realized in a free market exchange.

## 5. Drilling and Other Property and Equipment

Cost and accumulated depreciation of drilling and other property and equipment are summarized as follows (in thousands):

	September 30, 2023	December 31, 2022
Drilling rigs and equipment	\$ 1,219,768	\$ 1,126,793
Finance lease right of use asset	174,571	174,571
Land and buildings	10,034	10,001
Office equipment and other	3,492	2,515
Cost	1,407,865	1,313,880
Less: accumulated depreciation	(250,528)	(171,972)
Drilling and other property and equipment, net	<u>\$ 1,157,337</u>	<u>\$ 1,141,908</u>

## 6. Long-Term Debt

At September 30, 2023 and December 31, 2022, the carrying value of our long-term debt, net of unamortized discount, premium and debt issuance costs, was comprised as follows (in thousands):

	September 30, 2023	December 31, 2022
\$550 Million Senior Secured Second Lien Notes due 2030	\$ 535,194	\$ —
Exit Debt		
Borrowings under Exit RCF	—	177,478
\$100.0 Million Exit Term Loan	—	99,190
9.00%/11.00%/13.00% Senior Secured First Lien PIK Toggle Notes due 2027	—	83,976
Total Exit Debt, net	—	360,644
Total long-term debt, net	<u>\$ 535,194</u>	<u>\$ 360,644</u>

## Second Lien Notes

On September 21, 2023, Diamond Foreign Asset Company (or DFAC), a wholly owned subsidiary of Diamond Offshore Drilling, Inc. (or DODI), and Diamond Finance, LLC, a wholly owned subsidiary of DFAC (or, together with DFAC, the Issuers), issued \$550.0 million aggregate principal amount of 8.5% Senior Secured Second Lien Notes due 2030 (or Second Lien Notes) in a private placement (or Notes Offering) conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. The Second Lien Notes were issued at par for net proceeds of approximately \$540 million after deduction of certain estimated offering expenses. The Second Lien Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by DODI and each of its existing restricted subsidiaries (other than the Issuers) and by certain of DODI's future restricted subsidiaries (other than the Issuers) that guarantee any debt of the Issuers or any guarantor under any syndicated credit facility or capital markets debt in an aggregate principal amount in excess of a certain amount (or, collectively, the Subsidiary Guarantors and, together with DODI, the Guarantors). The Second Lien Notes and the related guarantees are secured on a second-priority basis, subject to certain permitted liens, by substantially all the assets of, and equity interests in, the Issuers and the Subsidiary Guarantors.

The Second Lien Notes are governed by an Indenture, dated as of September 21, 2023 (or Indenture), entered into among the Issuers, DODI and certain of its subsidiaries named therein and HSBC Bank USA, National Association (or HSBC), as trustee (or Trustee) and collateral agent (or Collateral Agent). The Second Lien Notes will mature on October 1, 2030. Interest on the Second Lien Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2024. The Second Lien Notes are fully and unconditionally guaranteed, jointly and severally, by the Guarantors and by each of DODI's existing restricted subsidiaries (other than the Issuers) that is a borrower under or a guarantor of our revolving credit facility (see “— Amended Revolving Credit Agreement”) and certain future subsidiaries.

On or after October 1, 2026, the Issuers may, at their option, redeem all or any portion of the Second Lien Notes from time to time upon not less than 10 days nor more than 60 days prior notice, at the redemption prices set forth below, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The following prices are for Second Lien Notes redeemed during the 12-month period commencing on October 1 of the years set forth below, and are expressed as percentages of principal amount:

Redemption Year	Price
2026	104.250%
2027	102.125%
2028 and thereafter	100.000%

At any time and from time to time, prior to October 1, 2026, the Issuers may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of the Second Lien Notes issued under the Indenture (including any additional Second Lien Notes, if any) with an amount equal to or less than the net cash proceeds of one or more equity offerings, at a redemption price equal to 108.500% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to but excluding, the redemption date provided, however, that immediately after giving effect to any such redemption, at least 65% of the original aggregate principal amount of Second Lien Notes issued on the issue date (excluding Second Lien Notes held by DODI or its subsidiaries) remains outstanding.

In addition, at any time prior to October 1, 2026, the Issuers may redeem up to 10% of the original aggregate principal amount of the Second Lien Notes issued under the Indenture (including additional Second Lien Notes, if any) during any twelve-month period at a redemption price equal to 103.000% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

At any time prior to October 1, 2026, the Issuers may redeem some or all of the Second Lien Notes at a price equal to 100% of the principal amount of the Second Lien Notes redeemed, plus accrued and unpaid interest, if any, to, but not including, the redemption date, plus a “make-whole” premium.

The Indenture contains covenants that, among other things, restrict DODI's ability and the ability of certain of its subsidiaries to: (i) incur additional debt and issue certain preferred stock; (ii) incur or create liens; (iii) make certain dividends, distributions, investments and other restricted payments; (iv) sell or otherwise dispose of certain assets; (v) engage in certain transactions with affiliates; and (vi) merge, consolidate, amalgamate or sell, transfer, lease or otherwise dispose of all or substantially all of the DODI's assets. These covenants are subject to important exceptions and qualifications. In addition, many of these covenants will be suspended with respect to the Second Lien Notes during any time that the Second Lien Notes have investment grade ratings from at least two rating agencies and no default with respect to the Second Lien Notes has occurred and is continuing.

Upon the occurrence of certain Change of Control Triggering Event (as defined in the Indenture), the Issuers may be required to make an offer to repurchase all of the Second Lien Notes then outstanding at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

We used a portion of the net proceeds from the Notes Offering to fully repay outstanding borrowings and terminate our Exit Term Loan Credit Facility (as defined below), redeem in full our 9.00%/11.00%/13.00% Senior Secured First Lien PIK Toggle Notes due 2027 (or First Lien Notes) and repay all amounts outstanding under the Exit RCF (as defined below). We intend to use the remaining net proceeds for general corporate purposes.

The Second Lien Notes were valued at par and are presented net of debt issuance costs of \$14.8 million, which are being amortized as interest expense over the stated maturity of the notes using the effective interest method. At September 30, 2023, the effective interest rate on the Second Lien Notes was 9.02%.

#### *Amended Revolving Credit Agreement*

On April 23, 2021, we entered into a senior secured revolving credit agreement (or the Exit Revolving Credit Agreement), which provided for a \$400.0 million senior secured revolving credit facility and also provided for certain lenders (or the LC Lenders) to issue up to \$100.0 million of letters of credit thereunder (or the Exit RCF). As a result of the resignation of two LC Lenders since entering into the Exit Revolving Credit Agreement, the aggregate amount of the commitments of the LC Lenders to issue letters of credit under the Exit RCF was reduced from \$100.0 million to \$75.0 million effective September 30, 2022, and further reduced to \$50.0 million effective March 23, 2023.

On June 13, 2023, Wells Fargo Bank, National Association (or Wells Fargo) gave notice of its resignation as Collateral Agent, Administrative Agent and Issuing Lender (as such terms are defined in the Exit Revolving Credit Agreement) under the Exit Revolving Credit Agreement. And on August 10, 2023, DODI entered into an Agency Assignment Agreement and Master Assignment of Liens (or Agency Assignment Agreement) pursuant to which HSBC was appointed (i) as successor administrative agent under the Exit Revolving Credit Agreement and our \$100,000,000 Term Loan Agreement, dated as of April 23, 2021 (or the Exit Term Loan Agreement), and (ii) as collateral agent under the Company's Collateral Agency and Intercreditor Agreement, dated as of April 23, 2021 (or Intercreditor Agreement). Other than as modified by the Agency Assignment Agreement, each of the Exit Revolving Credit Agreement, the Exit Term Loan Agreement and the Intercreditor Agreement remained in full force and effect. In connection with this change, Wells Fargo, as resigning administrative agent under the Exit Revolving Credit Agreement and Exit Term Loan Agreement and as resigning collateral agent under the Intercreditor Agreement, assigned to HSBC, and HSBC assumed, all of the rights and obligations of Wells Fargo in such capacities under the Exit Revolving Credit Agreement, the Exit Term Loan Agreement and the Intercreditor Agreement, respectively.

Wells Fargo continues to have all of the rights and obligations of an Issuing Lender under the Exit RCF with respect to letters of credit issued by it prior to its resignation but, after the effective date of its resignation, is not required to issue additional letters of credit or extend, renew or increase the outstanding letters of credit. Wells Fargo had previously committed to issue up to \$25.0 million in letters of credit under the Exit RCF. The LC Lenders, including Wells Fargo, have committed to issue letters of credit under the Exit RCF up to \$50.0 million in total. As a result of the resignation of Wells Fargo, the aggregate amount of the commitments of the LC Lenders to issue letters of credit under the Exit RCF is \$25.0 million. Wells Fargo had previously issued letters of credit under the Exit RCF aggregating \$16.9 million and \$1.9 million, which would have expired in October 2023 and May 2024, respectively. The \$16.9 million letter of credit was subsequently called by the holder upon replacement of Wells Fargo as Collateral Agent, Administrative Agent and Issuing Lender. We have since cash collateralized the performance bond placed by a third party (see Note 7 "Commitments and Contingencies"). Upon expiration of the letter of credit, Wells Fargo will have no further obligation as an Issuing Lender with respect to letters of credit.

On September 12, 2023, DFAC, as borrower, DODI, as parent, certain of the lenders party thereto, and HSBC, as administrative agent and collateral agent, entered into an amendment (or Credit Agreement Amendment) to the Exit Revolving Credit Agreement. The Credit Agreement Amendment amended the Exit RCF (or, as amended, the Amended RCF) to, among other things, (i) reduce the aggregate commitment of the lenders thereunder from \$400.0 million to \$300.0 million, (ii) permit the Notes Offering and (iii) provide for obligations in respect of letters of credit in an aggregate principal amount not to exceed \$50.0 million. The Credit Agreement Amendment became effective concurrently with the consummation of the Notes Offering, which was conditioned on the Credit Agreement Amendment becoming effective.

On October 24, 2023, Barclays Bank PLC (or Barclays), gave notice of its resignation as an LC Lender under the Amended RCF. Barclays' resignation will become effective on November 23, 2023, at which time our capacity for the issuance of additional letters of credit under the Amended RCF will be reduced to zero.

Borrowings under the Amended RCF may be used to finance capital expenditures, for working capital and other general corporate purposes. Availability of borrowings under the Amended RCF is subject to the satisfaction of certain conditions, including restrictions on borrowings, as provided in the Credit Agreement Amendment.

On September 21, 2023, we repaid the aggregate principal amount of borrowings outstanding under the Amended RCF of approximately \$189.0 million plus accrued and unpaid interest thereon through the repayment date in full with a portion of the proceeds of the Notes Offering. In addition, we wrote off a pro rata portion of unamortized deferred debt arrangement fees related to the reduction in borrowing capacity under the Amended RCF. We reported the \$1.3 million write-off of fees as "Loss on extinguishment of long-term debt" in our unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023.

At September 30, 2023 and November 6, 2023, we had no borrowings outstanding under the Amended RCF and had utilized \$1.9 million for the issuance of letters of credit. The outstanding letter of credit will expire on maturity in May 2024, unless replaced. At November 6, 2023, we had no borrowings outstanding under the Amended RCF. As of November 6, 2023, approximately \$298.1 million was available for borrowings under the Amended RCF subject to its terms and conditions. There was no capacity to issue additional letters of credit under the Amended RCF.

At September 30, 2023, we were in compliance with all covenants under the Second Lien Notes and Amended RCF.

#### *\$100.0 Million Exit Term Loan*

Our Exit Term Loan Agreement provided for a \$100.0 million senior secured term loan credit facility (or the Exit Term Loan Credit Facility) which was to mature on April 22, 2027. A portion of the proceeds of the Notes Offering was used to repay \$100.0 million in borrowings (or the Exit Term Loans) under the Exit Term Loan Facility and accrued and unpaid interest thereon through the redemption date. As a result of the repayment of the Exit Term Loans, we wrote off \$0.7 million in unamortized deferred arrangement fees as "Loss on extinguishment of long-term debt" in our unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023.

#### *9.00%/11.00%/13.00% Senior Secured First Lien PIK Toggle Notes due 2027*

We repaid our First Lien Notes in the aggregate principal amount of \$85.3 million in full, including accrued and unpaid interest thereon through the end of the period at 104% in accordance with the associated indenture with a portion of the proceeds of the Notes Offering. The \$3.4 million call premium paid on retirement of the First Lien Notes, in addition to the write-off of \$(0.6) million and \$1.7 million of unamortized premium and deferred arrangement fees, respectively, have been reported as "Loss on extinguishment of long-term debt" in our unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023.

Upon retirement of the First Lien Notes, unfunded delayed draw commitments aggregating \$39.7 million under the indenture governing the First Lien Notes also terminated.

#### *Collateral Agency Agreement*

On September 21, 2023, DODI, the Issuers and the Subsidiary Guarantors that are also grantors of collateral entered into an amended and restated collateral agency and intercreditor agreement with the Trustee, the Collateral Agent and HSBC, as administrative agent under the Amended RCF (or Collateral Agency Agreement). The Collateral Agency Agreement, among other things, sets forth the terms on which the Collateral Agent will receive, hold, administer, maintain, enforce and distribute the proceeds of all liens upon any property of the Issuers and the Guarantors at any time held by it, for the benefit of the current and future holders of First Lien Obligations and Junior Lien Obligations (each as defined in the Collateral Agency Agreement) as well as establishing the priority of the liens on the collateral as between the First Lien Obligations and Junior Lien Obligations.

### **7. Commitments and Contingencies**

Various claims have been filed against us in the ordinary course of business, including claims by offshore workers alleging personal injuries. With respect to each claim or exposure, we have made an assessment, in accordance with GAAP, of the probability that the resolution of the matter would ultimately result in a loss. When we determine that an unfavorable resolution of a matter is probable and such amount of loss can be determined, we record a liability for the amount of the estimated loss at the time that both of these criteria are met. Our management believes that we have recorded adequate accruals for any liabilities that may reasonably be expected to result from these claims.

*Non-Income Tax and Related Claims.* We have received assessments related to, or otherwise have exposure to, non-income tax items such as sales-and-use tax, value-added tax, ad valorem tax, custom duties, and other similar taxes in various taxing jurisdictions. We have determined that we have a probable loss for certain of these taxes and the related penalties and interest and, accordingly, have recorded a \$13.9 million and \$12.4 million liability at September 30, 2023 and December 31, 2022, respectively, in "Other liabilities" in our unaudited Condensed Consolidated Balance Sheets. We intend to defend these matters vigorously; however, the ultimate outcome of these assessments and exposures could result in additional taxes, interest and penalties for which the fully assessed amounts would have a material adverse effect on our financial condition, results of operations and cash flows.

*Other Litigation.* We have been named in various other claims, lawsuits or threatened actions that are incidental to the ordinary course of our business, including a claim by one of our customers in Brazil, Petróleo Brasileiro S.A. (or Petrobras), that it will seek to recover from its contractors, including us, any taxes, penalties, interest and fees that it must pay to the Brazilian tax authorities for our applicable portion of withholding taxes related to Petrobras' charter agreements with its contractors. We intend to defend these matters vigorously; however, litigation is inherently unpredictable, and the ultimate outcome or effect of any claim, lawsuit or action cannot be predicted with certainty. As a result, there can be no assurance as to the ultimate outcome of any litigation matter. Any claims against us, whether meritorious or not, could cause us to incur significant costs and expenses and require significant amounts of management and operational time and resources. In the opinion of our management, no such pending or known threatened claims, actions or proceedings against us are expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

*Personal Injury Claims.* Under our current insurance policies, we generally self-insure \$1.0 million to \$5.0 million per occurrence, depending on jurisdiction, with respect to personal injury claims not related to named windstorms in the U.S. Gulf of Mexico, which primarily result from Jones Act liability in the U.S. Gulf of Mexico. Depending on the nature, severity, and frequency of claims that might arise during the policy year, if the aggregate level of claims exceed certain thresholds, we may self-insure up to \$100.0 million for each subsequent occurrence.

The Jones Act is a federal law that permits seamen to seek compensation for certain injuries during the course of their employment on a vessel and governs the liability of vessel operators and marine employers for the work-related injury or death of an employee. We engage outside consultants to assist us in estimating our aggregate liability for personal injury claims based on our historical losses and utilizing various actuarial models. We allocate a portion of the aggregate liability to "Accrued liabilities" based on an estimate of claims expected to be paid within the next twelve months with the residual recorded as "Other liabilities." At September 30, 2023, our estimated liability for personal injury claims was \$16.1 million, of which \$6.2 million and \$9.9 million were recorded in "Accrued liabilities" and "Other liabilities," respectively, in our unaudited Condensed Consolidated Balance Sheets. At December 31, 2022, our estimated liability for personal injury claims was \$18.3 million, of which \$3.7 million and \$14.6 million were recorded in "Accrued liabilities" and "Other liabilities," respectively, in our unaudited Condensed Consolidated Balance Sheets. The eventual settlement or adjudication of these claims could differ materially from our estimated amounts due to uncertainties such as:

- the severity and volume of personal injuries claimed;
- the unpredictability of legal jurisdictions where the claims will ultimately be litigated;
- inconsistent court decisions; and
- the risks and lack of predictability inherent in personal injury litigation.

*Purchase Obligations.* At September 30, 2023, we had no purchase obligations for major rig upgrades or any other significant obligations, except for those related to our direct rig operations, which arise during the normal course of business.

*Services Agreement.* In February 2016, we entered into a ten-year agreement with a subsidiary of Baker Hughes Company (formerly named Baker Hughes, a GE company) to provide services with respect to certain blowout preventer and related well control equipment (or Well Control Equipment) on our drillships. Such services include management of maintenance, certification and reliability with respect to such equipment. Commitments under the contractual services agreements are estimated to be approximately \$27.0 million in 2023.

In addition, we lease Well Control Equipment for our drillships under ten-year finance leases that commenced in 2016 that also include an option to purchase the leased equipment at the end of the respective lease term.

*Letters of Credit and Other.* As of September 30, 2023, an aggregate of \$18.8 million in bonds and letters of credit had been issued on our behalf in connection with certain customs, tax assessment and tenant security deposit requirements. Of this amount, approximately \$16.8 million had been cash collateralized as of September 30, 2023. An additional \$1.9 million was collateralized by a letter of credit issued under our Amended RCF, which cannot require additional collateral except in events of default, or until its maturity in May 2024, if not replaced.

## **8. Income Taxes**

We account for income taxes in interim periods in accordance with FASB Accounting Standards Codification Topic No. 740, *Income Taxes*, which requires us to estimate our annual effective tax rate (or AETR) for continuing operations by considering our forecasted pre-tax income or loss for the full year in each of the various jurisdictions in which we operate. The AETR is then applied to our current pre-tax income or loss, as adjusted, when estimating our income tax benefit or expense for the interim period. We exclude discrete tax adjustments from the computation of the AETR and record such adjustments in the quarter in which they occur.

We recorded a net income tax expense of \$125.4 million and income tax benefit of \$143.3 million for the three-month and nine-month periods ended September 30, 2023, respectively, inclusive of a net \$14.5 million additional tax expense with respect to prior years' operations in Egypt upon final judgment by the Egyptian tax court. The effective tax rates are the result of the mix of pre-tax income and loss across jurisdictions, including significant losses in jurisdictions with zero percent tax rates resulting in no benefit. The impact is compounded by the amount of our year-to-date pre-tax loss.

## 9. (Loss) Earnings Per Share

We compute basic earnings (loss) per share by dividing net (loss) income available to holders of our common stock by the weighted-average number of shares of our common stock outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue our common stock (common stock equivalents) were exercised or converted into common stock. Basic and diluted earnings per share (or EPS) was calculated in accordance with the treasury stock method, and includes all potentially dilutive stock equivalents, including warrants, restricted stock awards, restricted stock unit awards and performance stock unit awards.

A reconciliation of the numerators and denominators of our basic and diluted EPS computations are summarized as follows (in thousands).

	Three Months Ended September 30,	
	2023	2022
Net (loss) income – basic and diluted numerator	\$ (145,016)	\$ 5,510
Weighted average shares – basic (denominator):	102,215	100,875
Dilutive effect of stock-based awards	—	1,398
Weighted average shares including conversions – diluted (denominator)	<u>102,215</u>	<u>102,273</u>

	Nine Months Ended September 30,	
	2023	2022
Net income (loss) – basic and diluted numerator	\$ 100,996	\$ (50,773)
Weighted average shares – basic (denominator):	101,681	100,356
Dilutive effect of stock-based awards	2,575	—
Weighted average shares including conversions – diluted (denominator)	<u>104,256</u>	<u>100,356</u>

No amounts are allocated to non-vested share awards for the periods with a net loss position, as the inclusion of such amounts would have been antidilutive to earnings per share.

The computation of EPS for the nine-month period ended September 30, 2023 and the three-month period ended September 30, 2022 excluded non-vested stock-based awards of 166 shares and 103,939 shares, respectively, as the inclusion of such would have been antidilutive for the periods.

As of September 30, 2023, we had 7.5 million stock warrants outstanding (or Warrants) to purchase shares of our common stock that were exercisable for one share of common stock per warrant at an exercise price of \$29.22. The Warrants are exercisable until they expire on April 23, 2026. The presumed exercise of these Warrants into shares of our common stock would have an antidilutive effect as the exercise price per warrant exceeded the average price of our common stock and they have been excluded from the computation of EPS for all periods presented.

## 10. Segments and Geographic Area Analysis

We provide contract drilling services with different types of offshore drilling rigs and also provide such services in many geographic locations. However, we have aggregated these operations into one reportable segment based on the similarity of economic characteristics due to the nature of the revenue-earning process as it relates to the offshore drilling industry over the operating lives of our drilling rigs and other qualitative factors such as (i) the nature of services provided (contract drilling), (ii) similarity in operations (interchangeable rig crews and shared management and marketing, engineering, marine and maintenance support), (iii) similar regulatory environment (depending on customer and/or location) and (iv) similar contractual arrangements with customers.

Our drilling rigs are highly mobile and may be moved to other markets throughout the world in response to market conditions or customer needs. At September 30, 2023, our active drilling rigs were located offshore four countries in addition to the United States. Revenues by geographic area are presented by attributing revenues to the individual country where the services were performed during the periods presented, which may not be indicative of where the rigs are currently located.

The following tables provide information about disaggregated revenue by country (in thousands):

Three Months Ended September 30, 2023				
	Total Contract Drilling Revenues		Revenues Related to Reimbursable Expenses	Total
United States	\$ 123,140	\$	8,885	\$ 132,025
United Kingdom	36,207		4,839	41,046
Senegal	29,365		3,539	32,904
Brazil	18,982		—	18,982
Australia	17,235		2,766	20,001
Total	<u>\$ 224,929</u>	<u>\$</u>	<u>20,029</u>	<u>\$ 244,958</u>

Nine Months Ended September 30, 2023				
	Total Contract Drilling Revenues		Revenues Related to Reimbursable Expenses	Total
United States	\$ 357,650	\$	29,974	\$ 387,624
United Kingdom	113,750		10,491	124,241
Senegal	135,360		9,247	144,607
Brazil	60,710		—	60,710
Australia	36,832		4,528	41,360
Total	<u>\$ 704,302</u>	<u>\$</u>	<u>54,240</u>	<u>\$ 758,542</u>

Three Months Ended September 30, 2022				
	Total Contract Drilling Revenues		Revenues Related to Reimbursable Expenses	Total
United States	\$ 70,970	\$	26,917	\$ 97,887
United Kingdom	26,111		2,520	28,631
Senegal	46,274		2,603	48,877
Brazil	21,564		—	21,564
Australia	24,616		4,049	28,665
Myanmar	326		123	449
Total	<u>\$ 189,861</u>	<u>\$</u>	<u>36,212</u>	<u>\$ 226,073</u>



		Nine Months Ended September 30, 2022			
	Total Contract Drilling Revenues		Revenues Related to Reimbursable Expenses		Total
United States	\$ 226,425	\$	69,121	\$	295,546
United Kingdom	47,506		6,407		53,913
Senegal	100,094		8,451		108,545
Brazil	60,583		—		60,583
Australia	72,475		10,095		82,570
Myanmar	9,909		6,948		16,857
Total	<u>\$ 516,992</u>	<u>\$</u>	<u>101,022</u>	<u>\$</u>	<u>618,014</u>

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements (including the notes thereto) included in Item 1 of Part I of this report and Item 1A, "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2022. References to "Diamond Offshore," "Company," "we," "us" or "our" mean Diamond Offshore Drilling, Inc., a Delaware corporation, and its subsidiaries.

We provide contract drilling services to the energy industry around the globe with a fleet of 14 floater rigs (four owned drillships, eight owned semisubmersibles and two managed rigs). See "– Market Overview."

### Market Overview

Energy industry fundamentals continue to support the global growth cycle in our business. Commodity prices rose substantially during the third quarter of 2023, as the focus on energy security and OPEC+ actions interacted with strong oil demand. Brent crude oil prices increased approximately 29% during the quarter, closing in the mid-\$90 per barrel range. Potential further upside in commodity prices remains, as significant draws in both U.S. and OECD inventories have driven global inventories of petroleum and other liquids stocks to their lowest levels in 20 years, according to industry reports. An expansion of conflict in the Middle East may result in oil supply disruptions and cause further volatility in commodity prices. According to industry data, approximately 25 percent of oil production in the third quarter of 2023 came from the Middle East. Against this backdrop of robust commodity prices, industry experts believe that the oil and gas industry is staged for a meaningful increase of approximately 30% in greenfield capital commitments in 2023 versus 2022, with current projections estimating approximately \$171 billion in 2023 greenfield upstream projects, of which 60% is attributable to offshore projects. With approximately \$90 billion sanctioned thus far, 95% of the remaining \$9 billion to be sanctioned has a breakeven oil price of less than \$40 per barrel.

The positive dynamics of increased offshore spending and the push for diversity of commodity supply continue to drive improving demand for floating drilling rigs as demonstrated in the increased volume of incoming tenders for floating rigs. According to S&P Global, incoming floating rig tenders for the first nine months of 2023 as measured in rig-years of demand represent the highest levels since 2012. This increase in recent tendering activity continues to build visibility for deepwater rig demand, supported by the increased duration and lead times from contract award to commencement of service for floater contracts signed so far in 2023, as operators become more willing to commit to longer periods for deepwater drilling capacity. According to industry analysts, lead times and duration for drillship contracts signed in 2023 year to date were 0.8 years and 1.5 years, respectively, which represent levels not seen since 2013. Several multi-year multi-rig tenders have come to market for the Golden Triangle (a common reference for the deepwater and ultra-deepwater regions of the Gulf of Mexico, southeast Brazil and West Africa) with commencement dates in 2025 and 2026, which will further increase the average lead time and duration of contracts booked once these tenders are concluded.

The strong demand for deepwater drilling rigs continues to support increasing rates and utilization for ultra-deepwater drilling rigs, with current dayrates in the mid \$400,000 per day range, and marketed utilization approaching 95%. Combined with the longer duration and lead times of recent tenders, these factors have resulted in compelling economics for rig reactivations, with idle capacity continuing to enter the market. The return of idle capacity to the market may adversely affect utilization and dayrates. While there is a possibility for additional stranded rigs to enter the market, the remaining inventory of idle rig capacity has decreased significantly and the owners of this capacity have exhibited capital discipline as it relates to reactivations. The anticipated growth in upstream capital spending continues to drive further increases in rig demand and may mitigate the long-term impact of future rig reactivations. Further, supply chain constraints and inflationary pressures could limit the pace at which these additional rigs return to the market, with some analysts estimating the average time for rig reactivations of approximately 12 to 18 months at costs approaching \$100 million and \$350 million for stacked and stranded assets, respectively, as of the date of this report. Despite policy tightening by major central banks and a moderating pace of world economic expansion, inflationary pressures remain elevated, which may result in continued upward pressure on operating expenses for offshore drillers.

In addition to market factors, customer capital allocation decisions will continue to affect demand for our services. Customer investment mixes over time, coupled with energy demand and regulatory measures, could adversely impact demand for offshore drilling services in the long term. Notwithstanding this possibility, global energy demand continues to be strong and energy supply growth remains constrained. We expect increased investment in both traditional and renewable sources of energy to be required in the future, much of which we expect to be invested in finding and producing hydrocarbons in the offshore segment. Industry experts continue to expect oil and gas to remain the largest sources of global energy in the foreseeable future.

See “– Contract Drilling Backlog” for future commitments of our rigs during the remainder of 2023 through 2027.

## Contract Drilling Backlog

We believe that our contract drilling backlog provides a useful indicator of our future revenue-earning opportunities. Our contract drilling backlog, as presented below, includes only firm commitments (typically represented by signed contracts) and is calculated by multiplying the contracted operating dayrate by the firm contract period. The contract period is based on the number of stated days for fixed-term contracts or an estimated duration (in days) for contracts based on a fixed number of wells. Our calculation also assumes full utilization of our drilling equipment for the contract period (excluding scheduled shipyard and survey days); however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different than the amounts and periods shown in the tables below due to various factors. Our utilization rates, which generally have been in the range of 92-98% during contracted periods, can be adversely impacted due to various operating factors including unscheduled repairs and maintenance, weather conditions, and other factors. Contract drilling backlog excludes revenues for mobilization, demobilization, contract preparation and customer reimbursables. Revenue is generally not earned during periods of downtime for regulatory surveys; however, certain contracts may provide for reduced revenue during the survey period. Changes in our contract drilling backlog between periods are generally a function of the performance of work on term contracts, as well as the extension or modification of existing term contracts and the execution of additional contracts. In addition, under certain circumstances, our customers may seek to terminate or renegotiate our contracts, which could adversely affect our reported backlog.

The backlog information presented below does not, nor is it intended to, align with the disclosures regarding revenue expected to be recognized in the future related to unsatisfied performance obligations, which are presented in Note 2 "Revenue from Contracts with Customers" to our unaudited condensed consolidated financial statements included in Item 1 of Part I of this report. Contract drilling backlog includes only future dayrate revenue as described above, while the disclosure in Note 2 "Revenue from Contracts with Customers" excludes dayrate revenue and reflects expected future revenue for mobilization, demobilization and capital modifications to our rigs, which are related to non-distinct promises within our signed contracts. See "— Important Factors That May Impact Our Operating Results, Financial Condition or Cash Flows."

The following table reflects our contract drilling backlog as of October 1, 2023 (based on information available at that time), January 1, 2023 (the date reported in our Annual Report on Form 10-K for the year ended December 31, 2022), and October 1, 2022 (the date reported in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022) (in millions).

	October 1, 2023 <sup>(1)</sup>	January 1, 2023 <sup>(1)</sup>	October 1, 2022 <sup>(1) (2)</sup>
Contract Drilling Backlog	\$ 1,406	\$ 1,788	\$ 1,596

<sup>(1)</sup>Includes contract backlog of \$156.3 million, \$307.7 million and \$300.8 million at October 1, 2023, January 1, 2023 and October 1, 2022, respectively, attributable to customer drilling contracts secured for rigs managed, but not owned, by us. We entered into the drilling contracts directly with the customer and will receive and recognize revenue under the terms of the contract. Pursuant to the terms of the charter agreement with the rig owner, we will realize a gross margin equivalent to our management and marketing fee.

<sup>(2)</sup>Previously reported contract backlog at October 1, 2022 included \$73.4 million attributable to the term of a contract for the *Ocean Patriot* for which the customer executed its right to terminate the drilling contract.

The following table reflects the amount of revenue related to our contract drilling backlog by year as of October 1, 2023 (in millions).

	Total	For the Years Ending December 31,				
		2023 <sup>(1)</sup>	2024	2025	2026	2027
Contract Drilling Backlog <sup>(2)</sup>	\$ 1,406	\$ 270	\$ 789	\$ 144	\$ 106	\$ 97

<sup>(1)</sup>Represents the three-month period beginning October 1, 2023.

<sup>(2)</sup>Includes contract backlog of \$71.7 million and \$84.6 million in the remainder of 2023 and in 2024, respectively, attributable to customer drilling contracts secured for two rigs managed under an arrangement with an offshore drilling company (or the MSA) whereby we provide management services for certain of its rigs.

The following table reflects the percentage of rig days per year committed as of October 1, 2023. The percentage of rig days committed is calculated as the ratio of total days committed under contracts, as well as scheduled shipyard, survey and mobilization days for all rigs in our fleet, to total available days (number of rigs, including cold-stacked rigs, multiplied by the number of days in a particular year).

	2023 <sup>(1)</sup>	For the Years Ending December 31,			
		2024	2025	2026	2027
Percentage of Rig Days Committed <sup>(2)</sup>	77 %	54 %	11 %	8 %	8 %

<sup>(1)</sup>Represents the three-month period beginning October 1, 2023.

<sup>(2)</sup>As of October 1, 2023, includes approximately 95 rig days currently known and scheduled for shipyard projects, including capital upgrades, surveys and contract preparation activities for the remainder of 2023.

#### Important Factors That May Impact Our Operating Results, Financial Condition or Cash Flows

**Regulatory Surveys and Planned Downtime.** We perform certain regulatory inspections, which we refer to as a special survey, that are due every five years for most of our rigs and an intermediate survey, which is performed every two-and-one-half years, for our North Sea rigs. Our operating income is negatively impacted when we perform these required regulatory surveys due to planned downtime during the inspection period. Our operating income is also reduced by planned downtime for upgrades, contract preparation and mobilization of rigs; however, in some cases, we may be compensated for all or a portion of this downtime. During the remainder of 2023, we expect to incur approximately 95 days of planned downtime, including approximately 61 days for capital modifications, contract preparation and acceptance testing activities for the *Ocean Courage*, approximately 17 days for contract preparation and mobilization activities for the *Ocean BlackHawk*, and approximately 17 days for standby, mobilization or demobilization of rigs between well sites. We can provide no assurance as to the exact timing and/or duration of downtime associated with regulatory inspections, repairs, contract preparation, rig mobilizations and other shipyard projects. See “ – Contract Drilling Backlog.”

*Physical Damage and Marine Liability Insurance.* We are self-insured for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico, as defined by the relevant insurance policy. If a named windstorm in the U.S. Gulf of Mexico causes significant damage to our rigs or equipment, it could have a material adverse effect on our results of operations, financial condition, and cash flows. Under our current insurance policy, we carry physical damage insurance for certain losses other than those caused by named windstorms in the U.S. Gulf of Mexico for which our deductible for physical damage is \$10.0 million per occurrence. In addition, we currently carry loss-of-hire insurance on certain of our owned rigs to cover lost cash flow when a rig is damaged (other than when caused by named windstorms in the U.S. Gulf of Mexico).

In addition, we carry marine liability insurance covering certain legal liabilities, including coverage for certain personal injury claims, collisions, and wreck removals, and generally covering liabilities arising out of or relating to pollution and/or environmental risk. We believe that the policy limit for our marine liability insurance is within the range that is customary for companies of our size in the offshore drilling industry and is appropriate for our business. Under these marine liability policies, we generally self-insure \$1.0 million to \$5.0 million per occurrence, depending on jurisdiction, but up to \$25.0 million for liabilities arising out of named windstorms in the U.S. Gulf of Mexico. Depending on the nature, severity, and frequency of claims that might arise during the policy year, if the aggregate level of claims exceeds certain thresholds, we may self-insure up to \$100.0 million for each subsequent occurrence.

#### **Critical Accounting Policies**

Our significant accounting policies are discussed in Note 1 "General Information" of our notes to the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

#### **Results of Operations**

We have elected to present a comparison of our results of operations for the current quarter with that of the immediately preceding quarter, as permitted under Item 303(c)(2)(ii) of Regulation S-K. We believe this comparison is more useful in identifying business trends and provides a more meaningful analysis of our business as our results are largely driven by market changes rather than seasonal business activity. We continue to present the required comparison of current year-to-date results with the same period of the prior year.

Our operating results for contract drilling services are dependent on three primary metrics or key performance indicators: revenue-earning (or R-E) days, rig utilization and average daily revenue. We believe that R-E days provide a comparative measurement of the activity level of our fleet, rig utilization is an indicator of our ability to secure work for and the operational efficiency of our fleet and average daily revenue provides a comparative measure for our revenue-earning performance. We utilize these performance indicators in the review of our business and operating results and believe these are useful metrics for investors to utilize in evaluating our performance. The tables presented below include these three key performance indicators and other comparative data relating to our revenues and operating expenses for the respective periods (in thousands, except days, daily amounts and percentages) for the three-month periods ended September 30, 2023 and June 30, 2023 and the nine-month periods ended September 30, 2023 and September 30, 2022.

Results for the Three-Month Periods Ended September 30, 2023 and June 30, 2023

	Three Months Ended	
	September 30, 2023	June 30, 2023
REVENUE-EARNING DAYS <sup>(1)</sup>	732	887
UTILIZATION <sup>(2)</sup>	57 %	70 %
AVERAGE DAILY REVENUE <sup>(3)</sup>	\$ 307,200	\$ 298,700
CONTRACT DRILLING REVENUE	\$ 224,929	\$ 264,990
REVENUE RELATED TO REIMBURSABLE EXPENSES	20,029	16,573
TOTAL REVENUES	<u>\$ 244,958</u>	<u>\$ 281,563</u>
CONTRACT DRILLING EXPENSE, EXCLUDING DEPRECIATION	\$ 181,954	\$ 212,947
REIMBURSABLE EXPENSES	\$ 18,662	\$ 15,579
OPERATING INCOME (LOSS)		
Contract drilling services, net	\$ 42,975	\$ 52,043
Reimbursable expenses, net	1,367	994
Depreciation	(27,785)	(27,906)
General and administrative expense	(16,649)	(16,824)
Gain on disposition of assets	955	1,933
Total Operating Income	<u>\$ 863</u>	<u>\$ 10,240</u>
Other income (expense):		
Interest income	161	5
Interest expense, net of amounts capitalized	(13,774)	(12,755)
Foreign currency transaction gain (loss)	184	(1,968)
Loss on extinguishment of long-term debt	(6,529)	—
Other, net	(485)	136
Loss before income tax benefit	(19,580)	(4,342)
Income tax (expense) benefit	(125,436)	243,125
NET (LOSS) INCOME	<u>\$ (145,016)</u>	<u>\$ 238,783</u>

<sup>(1)</sup> An R-E day is defined as a 24-hour period during which a rig earns a dayrate after commencement of operations and excludes mobilization, demobilization and contract preparation days.

<sup>(2)</sup> Utilization is calculated as the ratio of total R-E days divided by the total calendar days in the period for all rigs in our fleet (including managed and cold-stacked rigs).

<sup>(3)</sup> Average daily revenue is defined as total contract drilling revenue for all of the rigs in our fleet (including managed rigs) per R-E day.

### **Three Months Ended September 30, 2023 Compared to Three Months Ended June 30, 2023**

**Contract Drilling Revenue.** Contract drilling revenue decreased \$40.1 million during the three months ended September 30, 2023 compared to the three months ended June 30, 2023, primarily due to a 155-day decrease in R-E days (\$46.3 million), partially offset by the favorable impact of higher average daily revenue earned (\$6.2 million). Results for the third quarter of 2023 included \$4.3 million in revenue associated with the termination of a second well option program for the *Ocean Apex*.

R-E days decreased during the third quarter of 2023, compared to the second quarter of 2023, primarily due to downtime associated with a shipyard project for the *Ocean BlackHawk* prior to the rig's mobilization to the U.S. Gulf of Mexico (or GOM) for a one-year contract (86 days), the warm stacking of the *Ocean Patriot* between contracts (88 days) and an aggregate net decrease in R-E days for other rigs in our fleet (22 days). The decrease in R-E days was partially offset by incremental operating days for the *Ocean Apex* (41 days), which was in a shipyard for a special survey and regulatory and other upgrades during the second quarter of 2023.

**Revenue Related to Reimbursable Expenses.** During the third quarter of 2023, we recognized gross reimbursable revenue and expenses of \$20.0 million, including \$2.1 million earned under the MSA. Gross reimbursable revenue and expenses for the second quarter of 2023 were \$16.6 million, of which none was earned under the MSA.

**Contract Drilling Expense, Excluding Depreciation.** Contract drilling expense, excluding depreciation decreased \$31.0 million during the third quarter of 2023, compared to the second quarter of 2023, and was primarily attributable to the absence of mobilization costs associated with the mobilization of the *Ocean BlackHawk* from Senegal to a shipyard in the Canary Islands in the second quarter, combined with the deferral of contract preparation costs associated with the rig being readied for its new contract in the GOM.

**Loss on Extinguishment of Long-Term Debt.** Concurrent with our issuance of \$550 million aggregate principal amount of new debt in September 2023, we repaid all our previously outstanding debt and amended our revolving credit facility to reduce the borrowing capacity thereunder. We recognized a \$6.5 million loss on extinguishment of debt, primarily related to the retirement of a portion of our then existing debt at a premium (\$3.4 million) and the write off of deferred issuance costs related to the retired debt and reduction in borrowing capacity (\$3.1 million).

**Income Tax Benefit.** We estimate our annual effective tax rate (or AETR) for continuing operations in recording our interim quarterly income tax provision, considering the various jurisdictions in which we operate. We exclude discrete tax adjustments from the computation of the AETR and record such adjustments in the quarter in which they occur.

We recorded a net income tax expense of \$125.4 million for the three months ended September 30, 2023. For the three months ended June 30, 2023, we recorded a net income tax benefit of \$243.1 million. The effective tax rate for the quarter ended September 30, 2023 is a result of the mix of pre-tax income and loss across jurisdictions, including significant losses in jurisdictions with zero percent tax rates resulting in no tax benefit.



**Results for the Nine-Month Periods Ended September 30, 2023 and September 30, 2022**

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
<b>REVENUE-EARNING DAYS</b>	2,408	2,253
<b>UTILIZATION</b>	63%	65%
<b>AVERAGE DAILY REVENUE</b>	\$ 292,500	\$ 229,400
<b>CONTRACT DRILLING REVENUE</b>	\$ 704,302	\$ 516,992
<b>REVENUE RELATED TO REIMBURSABLE EXPENSES</b>	54,240	101,022
<b>TOTAL REVENUES</b>	<u>\$ 758,542</u>	<u>\$ 618,014</u>
<b>CONTRACT DRILLING EXPENSE, EXCLUDING DEPRECIATION</b>	\$ 568,390	\$ 442,619
<b>REIMBURSABLE EXPENSES</b>	\$ 51,454	\$ 99,932
<b>OPERATING INCOME (LOSS)</b>		
Contract drilling services, net	\$ 135,912	\$ 74,373
Reimbursable expenses, net	2,786	1,090
Depreciation	\$ (83,596)	(78,714)
General and administrative expense	(53,058)	(52,805)
Gain on disposition of assets	4,102	4,802
<b>Total Operating Income (Loss)</b>	<u>\$ 6,146</u>	<u>\$ (51,254)</u>
Other income (expense):		
Interest income	173	12
Interest expense, net of amounts capitalized	(38,569)	(28,792)
Foreign currency transaction loss	(3,057)	(285)
Loss on extinguishment of long-term debt	(6,529)	—
Other, net	(502)	1,487
Loss before income tax benefit	(42,338)	(78,832)
Income tax benefit	143,334	28,059
<b>NET INCOME (LOSS)</b>	<u>\$ 100,996</u>	<u>\$ (50,773)</u>

**Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022**

**Contract Drilling Revenue.** Contract drilling revenue increased \$187.3 million during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Comparing the periods, the increase in contract drilling revenue was the result of higher average daily revenue earned (\$151.8 million), combined with a 155-day increase in R-E days (\$35.5 million).

Average daily revenue for the nine months ended September 30, 2023 increased compared to the prior year period, primarily due to dayrates earned by the *Ocean BlackHornet* and *West Auriga*, which operated under new contracts or extensions during 2023 at higher dayrates than those earned in the same period of 2022. Contract drilling revenue for the nine months ended September 30, 2023 also included revenue for the *Ocean GreatWhite* and *West Vela*, which commenced drilling operations after the third quarter of 2022, as well as \$16.5 million in revenue related to the early termination of drilling contracts for the *Ocean Patriot* and the *Ocean Apex*.

The increase in R-E days for the first nine months of 2023, compared to the first nine months of 2022, was the result of incremental R-E days for the *Ocean GreatWhite* (183 days), and our two managed rigs (278 days). R-E days were partially reduced by downtime associated with the completion of contracts and subsequent cold stacking of the *Ocean Onyx* (192 fewer days) and the *Ocean Monarch* (82 fewer days), as well as an aggregate reduction in R-E days for other rigs in our fleet (32 fewer days).

**Revenue Related to Reimbursable Expenses.** Gross reimbursable revenue and expenses for the first nine months of 2023 were \$54.2 million, including \$8.5 million earned under the MSA. We recognized gross reimbursable revenue and expenses of \$101.1 million for the first nine months of 2022, including \$55.3 million earned under the MSA.

**Contract Drilling Expense, Excluding Depreciation.** Contract drilling expense, excluding depreciation increased \$125.8 million during the nine months ended September 30, 2023 compared to the same period in 2022. Higher contract drilling expense for the first nine months of 2023 included incremental costs related to the *Ocean GreatWhite*, which commenced its first drilling contract post-reactivation at the end of the first quarter, incremental costs associated with the *Ocean Apex* shipyard project that commenced in March 2023, higher personnel-related and repair costs for our rigs offshore Senegal and contract drilling expense associated with two rigs managed under the MSA. Contract drilling expense for the 2023 period was favorably impacted by reduced expense for the *Ocean Onyx* and *Ocean Monarch*, which operated under contract for part of 2022 but are now cold-stacked.

**Gain on Disposition of Assets.** During the first nine months of 2023, we recognized an aggregate gain on disposition of assets of \$4.1 million, primarily related to the sale of surplus equipment. During the first quarter of 2022, we sold the *Ocean Valor* for aggregate proceeds of approximately \$6.6 million and recognized a net gain on the transaction of \$4.2 million.

**Interest Expense.** Interest expense for the nine-month period ended September 30, 2023 increased \$9.8 million compared to the nine month period ended September 30, 2022, primarily due to higher market interest rates on outstanding indebtedness, combined with higher average outstanding borrowings compared to the 2022 period. Interest expense for the nine months ended September 30, 2023 also included \$1.3 million in accrued interest related to our notes issuance in September 2023.

**Loss on Extinguishment of Long-Term Debt.** Concurrent with our issuance of \$550 million aggregate principal amount of new debt in September 2023, we retired all our previously outstanding debt and amended our revolving credit facility to reduce the borrowing capacity thereunder. We recognized a \$6.5 million loss on extinguishment of debt, primarily related to the retirement of a portion of our then existing debt at a premium (\$3.4 million) and the write off of deferred issuance costs related to the retired debt and reduction in borrowing capacity (\$3.1 million).

**Income Tax Benefit.** We recorded a net income tax benefit of \$143.3 million for the nine months ended September 30, 2023, inclusive of a net \$14.5 million additional tax expense with respect to prior years' operations in Egypt upon final judgment by the Egyptian tax court. For the nine months ended September 30, 2022, we recorded a net income tax benefit of \$28.1 million. The effective tax rate for the nine months ended September 30, 2023 is a result of the mix of pre-tax income and loss across jurisdictions, including significant losses in jurisdictions with zero percent tax rates resulting in no tax benefit.

## **Liquidity and Capital Resources**

In September 2023, we issued \$550.0 million in aggregate principal amount of 8.5% senior secured second lien notes due 2030 (or the Second Lien Notes), which are scheduled to mature on October 1, 2030 (or the Notes Offering). Concurrent with the issuance of the Second Lien Notes, we entered into an amendment (or the Credit Agreement Amendment) to our then-existing \$400.0 million exit revolving credit agreement, which amended the revolving credit facility (or the Exit RCF) to, among other things, (i) reduce the aggregate commitment of the lenders thereunder from \$400.0 million to \$300.0 million, (ii) permit the Notes Offering (or, as amended, the Amended RCF) and (iii) provide for obligations in respect of letters of credit in an aggregate principal amount not to exceed \$50.0 million. The Credit Agreement Amendment became effective concurrently with the consummation of the Notes Offering, which was conditioned on the Credit Agreement Amendment becoming effective.

We used a portion of the net proceeds from the Notes Offering to fully repay and terminate our \$100.0 million senior secured exit term loan credit facility (or the Exit Term Loan Credit Facility), redeem in full our 9.00%/11.00%/13.00% Senior Secured First Lien PIK Toggle Notes due 2027 (or First Lien Notes) and repay all amounts outstanding under the Exit RCF. We intend to use the remaining net proceeds for general corporate purposes.

See Note 6 "Long-Term Debt" to our unaudited condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of our Second Lien Notes.

On October 24, 2023, Barclays Bank PLC (or Barclays), gave notice of its resignation as an LC Lender under the Amended RCF. Barclays' resignation will become effective on November 23, 2023, at which time our capacity for the issuance of additional letters of credit under the Amended RCF will be reduced to zero. However, as allowed under the Amended RCF, we have capacity to obtain up to \$50 million in letters of credit outside the credit facility.

At November 6, 2023, we had no borrowings outstanding under the Amended RCF, and a \$1.9 million letter of credit had been issued thereunder. As of November 6, 2023, approximately \$298.1 million was available for borrowings under the Amended RCF subject to its terms and conditions; however, the availability of borrowings under the Amended RCF is subject to the satisfaction of certain conditions as specified in our revolving credit agreement, including restrictions on borrowings. We have up to \$50.0 million in capacity to issue letters of credit outside the credit facility.

Historically, we have relied on our cash flows from operations and cash reserves to meet our liquidity needs, which primarily include funding of our working capital requirements and capital expenditures, as well as the servicing of our debt repayments and interest payments. As of November 6, 2023, all of our rigs, excluding managed rigs, are owned and operated, directly or indirectly, by Diamond Foreign Asset Company (or DFAC). Our management has determined that we will permanently reinvest foreign earnings, which restricts the ability to utilize cash flows of DFAC on a company-wide basis. To the extent possible, we expect to utilize the operating cash flows and cash reserves of DFAC and the operating cash flows available to and cash reserves of Diamond Offshore Drilling, Inc. to meet each respective entity's working capital requirements and capital commitments.

From time to time, based on market conditions and other factors, we may seek to repay, refinance or restructure all or a portion of our outstanding indebtedness or otherwise enter into transactions regarding our capital structure to obtain more favorable terms, enhance flexibility in conducting our business, increase liquidity or otherwise. We regularly evaluate capital markets to consider future opportunities for enhancements of our capital structure and may opportunistically pursue financing transactions to optimize our capital structure. Our ability to access the capital markets by issuing debt or equity securities will be dependent on our results of operations, our current financial condition, current credit ratings, current market conditions and other factors beyond our control, and there can be no assurance that we would be able to complete any such offering of securities.

As of October 1, 2023, our contractual backlog was approximately \$1.4 billion. At September 30, 2023, we had cash of \$172.4 million, including \$25.6 million that is subject to restrictions pursuant to the MSA.

## **Sources and Uses of Cash**

### ***Cash Flows and Cash Expenditures***

For the nine-month period ended September 30, 2023, our operating activities generated cash of \$20.2 million. Cash receipts from contract drilling services (\$766.8 million) were partially offset by cash expenditures for contract drilling, shorebase support, and general and administrative costs (\$729.8 million) and placement of cash collateral related to certain tax matters (\$16.8 million).

Cash outlays for capital expenditures during the first nine months of 2023 aggregated \$99.9 million, primarily related to shipyard projects and equipment upgrades for several rigs in our fleet.

As discussed above, in the third quarter of 2023, we issued \$550.0 million of Second Lien Notes at par and used a portion of the proceeds to repay amounts outstanding under the Exit RCF, repay and terminate our Exit Term Loan Credit Facility and redeem in full the First Lien Notes (\$381.2 million). Costs associated with the issuance of the Second Lien Notes and amendment of the Exit RCF were \$15.1 million. During the first nine months of 2023, we also made payments in connection with finance lease obligations aggregating \$14.8 million related to well control equipment on our owned drillships.

For the nine-month period ended September 30, 2022, our operating activities used cash of \$21.9 million. Cash expenditures for contract drilling, shorebase support, and general and administrative costs (\$590.4 million) and cash income taxes paid, net of refunds (\$15.0 million), were partially offset by cash receipts from contract drilling services (\$566.0 million) during the nine-month period. In addition, collateral deposits aggregating \$17.5 million were exchanged for letters of credit drawn under the Exit RCF, positively impacting cash flow but with a neutral effect on total liquidity.

Cash outlays for capital expenditures during the first nine months of 2022 aggregated \$42.7 million (including capital outlays for the *Ocean Endeavor* and *Ocean Patriot* shipyard work). We also paid \$11.8 million in finance lease obligations related to well control equipment on our owned drillships during the period. Asset sales, including the sale of the *Ocean Valor*, generated cash proceeds of \$5.9 million, and we borrowed \$69.0 million under the Exit RCF during the first nine months of 2022.

#### **Capital Expenditures and Other Projects**

We have historically invested a significant portion of our cash flows in the enhancement of our drilling fleet and our ongoing rig equipment replacement and capital maintenance programs. The amount of cash required to meet our capital commitments is determined by evaluating the need to upgrade our rigs to meet specific customer requirements and our rig equipment enhancement, maintenance and replacement programs. We make periodic assessments of our capital spending programs based on current and expected industry conditions and our cash flow forecast. As of the date of this report, we expect total capital expenditures for 2023 to be approximately \$130.0 million to \$135.0 million.

#### **Contractual Obligations and Other Commercial Commitments**

As of September 30, 2023, with the exception of the following, there have been no material changes to our contractual obligations or other commercial commitments as previously disclosed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Contractual Cash Obligations" in our Annual Report on Form 10-K for the year ended December 31, 2022 (in thousands).

Contractual Obligations	Total	Twelve months ending September 30			
		2024	2025-2026	2027-2028	Thereafter
\$550 Million Second Lien Notes (principal and interest) <sup>(1)(2)</sup>	\$ 877,250	\$ 46,750	\$ 93,500	\$ 93,500	\$ 643,500
Total obligations	<u>\$ 877,250</u>	<u>\$ 46,750</u>	<u>\$ 93,500</u>	<u>\$ 93,500</u>	<u>\$ 643,500</u>

<sup>(1)</sup>We issued \$550.0 million aggregate principal amount of 8.5% Senior Secured Second Lien Notes due 2030 on September 21, 2023. Proceeds from the issuance were used to repay and terminate our Exit Term Loan Credit Facility, redeem in full the First Lien Notes and repay all borrowings under our Exit RCF, including accrued and unpaid interest thereon. We have no further obligations with respect to these previously reported items, other than borrowings from time to time and letters of credit issued under the Amended RCF.

<sup>(2)</sup>Interest on the Second Lien Notes accrues at 8.5% per annum and is payable April 1 and October 1 of each year, commencing April 1, 2024.

#### **Other Obligations**

As of September 30, 2023, the total net unrecognized tax benefits related to uncertain tax positions that could result in a future cash payment was \$44.9 million. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities recognized in these balances, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Included in the balance is \$17.3 million related to prior years' operations in Egypt.

#### **Other Commercial Commitments - Letters of Credit**

See Note 7 "Commitments and Contingencies" to our unaudited condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of certain of our other commercial commitments.

## Forward-Looking Statements

We or our representatives may, from time to time, either in this report, in periodic press releases or otherwise, make or incorporate by reference certain written or oral statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (or the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (or the Exchange Act). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain or be identified by the words "expect," "intend," "plan," "predict," "anticipate," "estimate," "believe," "should," "could," "would," "may," "might," "will," "will be," "will continue," "will likely result," "project," "forecast," "budget" and similar expressions. In addition, any statement concerning future financial performance (including, without limitation, future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by or against us, which may be provided by management, are also forward-looking statements as so defined. Statements made by us in this report that contain forward-looking statements may include, but are not limited to, information concerning our possible or assumed future results of operations and statements about the following subjects:

- market conditions and the effect of such conditions on our future results of operations;
- offshore exploration activity, future investment in hydrocarbons, customer capital allocation and commitments and customer spending programs and future projects;
- sources and uses of and requirements for financial resources and sources of liquidity;
- environmental social and governance trends, practices and related matters;
- business plans or financial condition of our customers, including with respect to or as a result of the COVID-19 pandemic;
- expectations regarding our plans and strategies;
- contractual obligations and future contract negotiations;
- the transition to renewable energy sources and other alternative forms of energy;
- future energy demand and future demand for offshore drilling services;
- interest rate and foreign exchange risk and the transition away from LIBOR;
- operations outside the United States;
- geopolitical events and risks including Russia's invasion of Ukraine and related sanctions, conflict in the Middle East and related disruptions;
- business strategy;
- growth opportunities;
- competitive position including, without limitation, competitive rigs entering the market;
- expected financial position and liquidity;
- cash flows and contract backlog;
- idling drilling rigs or reactivating stacked or stranded rigs;
- outcomes of litigation and legal proceedings;
- financing plans;
- any repayment, refinancing or restructuring of our outstanding indebtedness or other transaction regarding our capital structure or any offering of securities or other capital markets transaction;
- market outlook;
- inflation;
- future economic trends, including interest rates and recessionary economic conditions;

- future commodity prices, dayrates or utilization;
- tax planning;
- cybersecurity;
- unionization efforts;
- changes in tax laws and policies or adverse outcomes resulting from examination of our tax returns;
- debt levels and the impact of changes in the credit markets, including interest rates;
- budgets for capital and other expenditures;
- contractual obligations related to our well control equipment services agreement and potential exercise of the purchase option at the end of the original lease term;
- the MSA with an offshore drilling company and future management and marketing services thereunder;
- duration and impacts of the COVID-19 pandemic, including new variants of the virus, lockdowns, re-openings and any other related actions taken by businesses and governments on the offshore drilling industry and on our business, operations, supply chain and personnel, financial condition, results of operations, cash flows and liquidity;
- the effects of our former bankruptcy proceedings on our operations, including our relationships with employees, regulatory authorities, customers, suppliers, banks, insurance companies and other third parties, and agreements;
- timing and duration of required regulatory inspections for our drilling rigs and other planned downtime;
- process and timing for acquiring regulatory permits and approvals for our drilling operations;
- timing and cost of completion of capital projects;
- delivery dates and drilling contracts related to capital projects;
- plans and objectives of management;
- sale or scrapping of retired rigs;
- asset impairments and impairment evaluations;
- assets held for sale;
- our internal controls and internal control over financial reporting;
- performance of contracts;
- compliance with applicable laws; and
- availability, limits and adequacy of insurance or indemnification.

These types of statements are based on current expectations about future events and inherently are subject to a variety of assumptions, risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those expected, projected or expressed in forward-looking statements. These risks and uncertainties include, among others, those described or referenced in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022.

The risks and uncertainties referenced above are not exhaustive. Other sections of this report and our other filings with the Securities and Exchange Commission include additional factors that could adversely affect our business, results of operations and financial performance. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements. Forward-looking statements included in this report speak only as of the date of this report. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations or beliefs with regard to the statement or any change in events, conditions or circumstances on which any forward-looking statement is based. In addition, in certain places in this report, we may refer to reports published by third parties that purport to describe trends or developments in energy production or drilling and exploration activity. While we believe that these reports are reliable, we have not independently verified the information included in such reports. We specifically disclaim any responsibility for the accuracy and completeness of such information and undertake no obligation to update such information.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.**

The information included in this Item 3 constitutes “forward-looking statements” for purposes of the statutory safe harbor provided in Section 27A of the Securities Act and Section 21E of the Exchange Act. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements” in Item 2 of Part I of this report.

*Interest Rate Risk.* From time-to-time, we may have exposure to interest rate risk on our debt instruments that may arise from changes in the level or volatility of interest rates. As of September 30, 2023, we had no variable rate debt outstanding.

There were no other material changes in our market risk components for the nine months ended September 30, 2023. See “Quantitative and Qualitative Disclosures About Market Risk” included in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2022 for further information.

### **ITEM 4. Controls and Procedures.**

We maintain a system of disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the federal securities laws, including this report, is recorded, processed, summarized and reported on a timely basis. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us under the federal securities laws is accumulated and communicated to our management on a timely basis to allow decisions regarding required disclosure.

Our Chief Executive Officer (or CEO) and Chief Financial Officer (or CFO) participated in an evaluation by our management of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2023. Based on their participation in that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2023.

There were no changes in our internal control over financial reporting identified in connection with the foregoing evaluation that occurred during our third fiscal quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings.

Information related to certain legal proceedings is included in Note 7 “Commitments and Contingencies” to our unaudited condensed consolidated financial statements included in Item 1 of Part I of this report, which is incorporated herein by reference.

### ITEM 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2022 includes a detailed discussion of certain material risk factors facing the Company. The risk factors included under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 are incorporated herein by reference. No material changes have been made to such risk factors as of September 30, 2023.

### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Items 2(a) and 2(b) are not applicable.

- (c) During the three months ended September 30, 2023, in connection with the vesting of restricted stock units held by our officers and certain other employees, which were awarded under an equity incentive compensation plan, we acquired shares of our common stock in satisfaction of tax withholding obligations that were incurred in connection with such vesting. The date of acquisition, number of shares and average effective acquisition price per share were as follows:

#### Issuer Purchases of Equity Securities

Period	Total Number of Shares Acquired	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
July 1, 2023 through July 31, 2023	240,236	\$ 14.93	N/A	N/A
August 1, 2023 through August 31, 2023	—	—	N/A	N/A
September 1, 2023 through September 30, 2023	—	—	N/A	N/A
Total	<u>240,236</u>	<u>\$ 14.93</u>	<u>N/A</u>	<u>N/A</u>

### ITEM 5. Other Information.

Items 5(a) and 5(b) are not applicable.

- (c) During the quarter ended September 30, 2023, no director or officer adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, in each case as such terms are defined in Item 408 of Regulation S-K.



**ITEM 6. Exhibits.**

Exhibit No.	Description of Exhibit
3.1	<a href="#"><u>Fourth Amended and Restated Certificate of Incorporation of Diamond Offshore Drilling, Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 10, 2023).</u></a>
3.2	<a href="#"><u>Third Amended and Restated Bylaws of Diamond Offshore Drilling, Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 10, 2023).</u></a>
4.1	<a href="#"><u>Indenture, dated September 21, 2023, by and among Diamond Offshore Drilling, Inc., Diamond Foreign Asset Company, Diamond Finance, LLC, the other Guarantors party thereto, and HSBC Bank USA, National Association, as trustee and as collateral agent, relating to the 8.500% Senior Secured Second Lien Notes due 2030 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 22, 2023).</u></a>
10.1	<a href="#"><u>Amended and Restated Collateral Agency and Intercreditor Agreement, dated September 21, 2023, by and among Diamond Foreign Asset Company, Diamond Offshore Drilling, Inc., other grantors from time to time party thereto and HSBC Bank USA, National Association, as trustee and as collateral agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 22, 2023).</u></a>
10.2	<a href="#"><u>Purchase Agreement, dated as of September 12, 2023, between Diamond Foreign Asset Company, Diamond Finance, LLC, certain guarantors named therein and Goldman Sachs &amp; Co. LLC, as representative of the initial purchasers (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 13, 2023).</u></a>
10.3**	<a href="#"><u>Amendment to Credit Agreement, dated September 12, 2023, by and among Diamond Foreign Asset Company, Diamond Offshore Drilling, Inc., HSBC Bank USA, National Association, as administrative agent and as collateral agent, and the lenders and issuing lenders from time to time party thereto (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on September 13, 2023).</u></a>
10.4	<a href="#"><u>Agency Assignment Agreement and Master Assignment of Liens, dated as of August 10, 2023, by and among HSBC Bank USA, National Association, as successor administrative agent and collateral agent, Wells Fargo Bank, National Association, as resigning administrative agent and collateral agent, Diamond Offshore Drilling, Inc., Diamond Foreign Asset Company, the other loan parties named therein, the Revolving Credit Agreement lenders party thereto, and the Term Loan Agreement lenders party thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 11, 2023).</u></a>
31.1*	<a href="#"><u>Rule 13a-14(a) Certification of the Chief Executive Officer.</u></a>
31.2*	<a href="#"><u>Rule 13a-14(a) Certification of the Chief Financial Officer.</u></a>
32.1*	<a href="#"><u>Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer.</u></a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE*	Inline XBRL Presentation Linkbase Document.
101.DEF*	Inline XBRL Definition Linkbase Document.
104*	The cover page of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL (included with the Exhibit 101 attachments).

\* Filed or furnished herewith.

\*\* Certain schedules and similar attachments have been omitted. The Company agrees to furnish a supplemental copy of any omitted schedule or attachment to the Securities and Exchange Commission upon request.

## 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.

**DIAMOND OFFSHORE DRILLING, INC.**  
(Registrant)

Date November 7, 2023

By: /s/ Dominic A. Savarino  
Dominic A. Savarino  
Senior Vice President and Chief Financial Officer

I, Bernie Wolford, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of Diamond Offshore Drilling, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Bernie Wolford, Jr.  
Bernie Wolford, Jr.  
President and Chief Executive Officer

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I, Dominic A. Savarino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 of Diamond Offshore Drilling, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Dominic A. Savarino  
Dominic A. Savarino  
Chief Financial Officer

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED BY SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, pursuant to 18 U.S.C. § 1350, in his capacity as an officer of Diamond Offshore Drilling, Inc. (the "Company"), that, to his knowledge:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 7, 2023

/s/ Bernie Wolford, Jr.  
Bernie Wolford, Jr.  
President and Chief Executive Officer of the Company

/s/ Dominic A. Savarino  
Dominic A. Savarino  
Chief Financial Officer of the Company

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