

REFINITIV

DELTA REPORT

10-Q

VALARIS LTD

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1289

■ CHANGES	180
■ DELETIONS	497
■ ADDITIONS	612

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** **March 31, 2024**
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 1-8097

Valaris Limited

(Exact name of registrant as specified in its charter)

Bermuda

98-1589854

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

Clarendon House, 2 Church Street

HM 11

Hamilton Bermuda

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **+44 (0) 20 7659 4660**

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

Title of each class	Ticker Symbol(s)	Name of each exchange on which registered
Common Shares, \$0.01 par value share	VAL	New York Stock Exchange
Warrants to purchase Common Shares	VAL WS	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 (\$232.405 of this chapter) 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 checked="" type="checkbox"/>	Accelerated filer	<input 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 Section 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

As of **November 2, 2023** **April 26, 2024**, there were **72,895,164** **72,410,818** Common Shares of the registrant **issued and outstanding**.

VALARIS LIMITED
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED **SEPTEMBER 30, 2023 **MARCH 31, 2024****

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<u>Condensed Consolidated Statements of Operations</u> For the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023	5
<u>Condensed Consolidated Statements of Comprehensive Income</u> For the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023	6
<u>Condensed Consolidated Balance Sheets</u> September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023	7
<u>Condensed Consolidated Statements of Cash Flows</u> For the Nine Three Months Ended September March 30, 2023 31, 2024 and 2022 2023	8
<u>Notes to Condensed Consolidated Financial Statements</u>	9

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 29 25

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK 47 42

ITEM 4. CONTROLS AND PROCEDURES 47 42

PART II OTHER INFORMATION 48 43

ITEM 1. LEGAL PROCEEDINGS 48 43

ITEM 1A. RISK FACTORS 48 43

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS 48 43

ITEM 5. OTHER INFORMATION 49 43

ITEM 6. EXHIBITS 50 44

SIGNATURES 51 45

FORWARD-LOOKING STATEMENTS

Statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "likely," "plan," "project," "could," "may," "might," "should," "will" and similar words and specifically include statements regarding expected financial performance; expected utilization, day rates, revenues, operating expenses, cash flows, contract status, terms and duration, contract backlog, capital expenditures, insurance, financing and funding; the offshore drilling market, including supply and demand, customer drilling programs, stacking of rigs, effects of new rigs on the market and effect of the volatility of commodity prices; expected work commitments, awards, contracts and letters of intent; the availability, delivery, mobilization, contract commencement or relocation or other movement of rigs and the timing thereof; rig reactivations, enhancement, upgrade or repair and timing and cost thereof; the suitability of rigs for future contracts; performance of our joint ventures, including our joint venture with Saudi Arabian Oil Company ("Saudi Aramco"); timing of the delivery of the Saudi Aramco Rowan Offshore Drilling Company ("ARO") newbuild rigs and the

timing of additional ARO newbuild orders; divestitures of assets; general market, business and industry conditions, trends and outlook; general political conditions, including political tensions, conflicts and war (such as the ongoing conflict in Ukraine); war; the impacts and effects of public health crises, pandemics and epidemics; future operations; any exercise the effectiveness of our options for delivery of the VALARIS DS-13 cybersecurity programs; expectations regarding our sustainability targets and VALARIS DS-14; strategy; the impact of increasing regulatory complexity; the outcome of tax disputes, assessments and settlements; expense management; and the likely outcome of litigation, legal proceedings, investigations or insurance or other claims or contract disputes and the timing thereof.

Such statements are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, including:

- delays in contract commencement dates or cancellation, suspension, renegotiation or termination with or without cause of drilling contracts or drilling programs as a result of general or industry-specific economic conditions, mechanical difficulties, performance, delays in the delivery of critical drilling equipment, failure of the customer to receive final investment decision (FID) for which the drilling rig was contracted or other reasons;
- changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild drilling rigs or reactivation of stacked drilling rigs;
- general economic and business conditions, including recessions, inflation, volatility affecting the banking system and financial markets and adverse changes in the level of international trade activity;
- requirements to make significant expenditures in connection with rig reactivations, customer drilling requirements and to comply with governing laws or regulations in the regions we operate;
- loss of a significant customer or customer contract, as well as customer consolidation and changes to customer strategy, including focusing on renewable energy projects;
- our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to labor regulations, rising wages, unionization, or otherwise, or to retain employees;
- the occurrence of cybersecurity incidents, attacks or other breaches to our information technology systems, including our rig operating systems;
- the adequacy of sources of liquidity for us and our customers;
- risks inherent to drilling rig reactivations, repair, modification or upgrades, unexpected delays in equipment delivery, engineering, design or commissioning issues following delivery, or changes in the commencement, completion or service dates;
- our ability to generate operational efficiencies from our shared services center and potential risks relating to the processing of transactions and recording of financial information;
- downtime and other risks associated with offshore rig operations, including rig or equipment failure, damage and other unplanned repairs, the limited availability of transport vessels, hazards, self-imposed

drilling limitations and other delays due to severe storms and hurricanes and the limited availability or high cost of insurance coverage for certain offshore perils, such as hurricanes in the Gulf of Mexico or associated removal of wreckage or debris;

- our customers cancelling or shortening the duration of our drilling contracts, cancelling future drilling programs and seeking pricing and other contract concessions from us;
- decreases in levels of drilling activity and capital expenditures by our customers, whether as a result of the global capital markets and liquidity, prices of oil and natural gas, changes in tax policy (such as the U.K.'s windfall tax on oil and gas producers in the British North Sea), climate change concerns or otherwise, which may cause us to idle, stack or retire additional rigs;
- impacts and effects of public health crises, pandemics and epidemics, the related public health measures implemented by governments worldwide, the duration and severity of the outbreak and its impact on global oil demand, the volatility in prices for oil and natural gas and the extent of disruptions to our operations;
- disruptions to the operations and business of our key customers, suppliers and other counterparties, including impacts affecting our supply chain and logistics;
- governmental action, terrorism, cyber-attacks, piracy, military action and political and economic uncertainties, including civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas, of the Middle East, North Africa, West Africa, Southeast Asia, Eastern Europe or other geographic areas, which may result in expropriation, nationalization, confiscation or deprivation or destruction of our assets; suspension and/or termination of contracts based on force majeure events or adverse environmental safety events; or volatility in prices of oil and natural gas;
- disputes over production levels among members of the Organization of Petroleum Exporting Countries and other oil and gas producing nations ("OPEC+"), which could result in increased volatility in prices for oil and natural gas that could affect the markets for our services;

- our ability to enter into, and the terms of, future drilling contracts, including contracts for newbuild rigs or acquired rigs, for rigs currently idled and for rigs whose contracts are expiring;
- any failure to execute definitive contracts following announcements of letters of intent, letters of award or other expected work commitments;
- the outcome of litigation, legal proceedings, investigations or other claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, and any renegotiation, nullification, cancellation or breach of contracts with customers or other parties;
- internal control risk due to changes in management, hiring of employees, employee reductions and our shared service center;
- governmental regulatory, legislative and permitting requirements affecting drilling operations, including limitations on drilling locations, limitations on new oil and gas leasing in U.S. federal lands and waters, and regulatory measures to limit or reduce greenhouse gas emissions ("GHG");
- governmental policies that could reduce demand for hydrocarbons, including mandating or incentivizing the conversion from internal combustion engine powered vehicles to electric-powered vehicles;
- forecasts or expectations regarding the global energy transition, including consumer preferences for alternative fuels and electric-powered vehicles, as part of the global energy transition;
- increased scrutiny from regulators, market and industry participants, stakeholders and others in regard to our environmental, social and governance ("ESG") sustainability practices and reporting;
- our ability to achieve our ESG sustainability aspirations, targets, goals and commitments, including our Scope 1 emissions intensity reduction target, or the impact of any changes in our ESG strategy or commitments; to such matters;
- potential impacts on our business resulting from climate-change or greenhouse gas GHG legislation or regulations, and the impact on our business from climate-change related physical changes or changes in weather patterns;
- new and future regulatory, legislative or permitting requirements, future lease sales, changes in laws, rules and regulations that have or may impose increased financial responsibility, additional oil spill abatement contingency plan capability requirements and other governmental actions that may result in claims of force majeure or otherwise adversely affect our existing drilling contracts, operations or financial results;
- environmental or other liabilities, risks, damages or losses, whether related to storms, hurricanes or other weather-related events (including wreckage or debris removal), collisions, groundings, blowouts, fires, explosions, cyberattacks, terrorism or otherwise, for which insurance coverage and contractual indemnities may be insufficient, unenforceable or otherwise unavailable;
- tax matters, including our effective tax rates, tax positions, results of audits, changes in tax laws treaties (including global minimum tax initiatives) and regulations, tax assessments and liabilities for taxes;
- our ability to realize the expected benefits of our joint venture with Saudi Aramco, including our ability to fund any required capital contributions or to enforce any payment obligations of the joint venture pursuant to outstanding shareholder notes receivable and benefits of our other joint ventures;
- the potentially dilutive impacts of warrants issued pursuant to the plan of reorganization;
- the costs, disruption and diversion of our management's attention associated with campaigns by activist securityholders; and
- adverse changes in foreign currency exchange rates.

In addition to the numerous risks, uncertainties and assumptions described above, you should also carefully read and consider "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I and "Item 1A. Risk Factors" in Part II of this report, "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2022 and "Item 1A. Risk Factors" in Part II of our Quarterly Report on Form 10-Q for the quarterly period March 31, 2023 December 31, 2023, which are available on the U.S. Securities and Exchange Commission website at www.sec.gov. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VALARIS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In millions, except per share amounts)
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	2024			

		2024		2024					
OPERATING REVENUES									
OPERATING REVENUES									
OPERATING REVENUES	OPERATING REVENUES	\$ 455.1	\$ 437.2	\$ 1,300.4	\$ 1,168.9				
OPERATING EXPENSES									
OPERATING EXPENSES									
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)	390.9	336.7	1,141.6	1,029.8				
Loss on impairment		—	—	—	34.5				
Contract drilling (exclusive of depreciation)									
Contract drilling (exclusive of depreciation)									
Depreciation									
Depreciation									
Depreciation	Depreciation	25.8	22.6	73.6	67.4				
General and administrative	General and administrative	24.2	19.2	75.0	57.0				
General and administrative									
General and administrative									
Total operating expenses									
Total operating expenses									
Total operating expenses	Total operating expenses	440.9	378.5	1,290.2	1,188.7				
EQUITY IN EARNINGS OF ARO									
EQUITY IN EARNINGS OF ARO	EQUITY IN EARNINGS OF ARO	2.4	2.9	5.0	15.9				
OPERATING INCOME (LOSS)		16.6	61.6	15.2	(3.9)				
EQUITY IN EARNINGS OF ARO									
EQUITY IN EARNINGS OF ARO									
OPERATING INCOME									
OPERATING INCOME									
OPERATING INCOME									
OTHER INCOME (EXPENSE)									
OTHER INCOME (EXPENSE)									
OTHER INCOME (EXPENSE)	OTHER INCOME (EXPENSE)								
Interest income	Interest income	26.6	27.9	74.2	50.0				
Interest income									
Interest income									
Interest expense, net									
Interest expense, net									
Interest expense, net	Interest expense, net	(19.4)	(11.7)	(47.2)	(34.8)				
Other, net	Other, net	3.9	13.7	3.7	172.7				
		11.1	29.9	30.7	187.9				
Other, net									
Other, net									
INCOME BEFORE INCOME TAXES	INCOME BEFORE INCOME TAXES	27.7	91.5	45.9	184.0				

PROVISION FOR INCOME TAXES					
Current income tax expense	15.5	13.4	5.3	26.2	
Deferred income tax expense (benefit)	(4.8)	0.4	2.3	7.1	
INCOME BEFORE INCOME TAXES					
INCOME BEFORE INCOME TAXES					
PROVISION (BENEFIT) FOR INCOME TAXES					
PROVISION (BENEFIT) FOR INCOME TAXES					
PROVISION (BENEFIT) FOR INCOME TAXES					
Current income tax expense (benefit)	10.7	13.8	7.6	33.3	
Current income tax expense (benefit)	17.0	77.7	38.3	150.7	
NET INCOME					
NET INCOME					
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS					
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS					
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(4.1)	(3.4)	(8.1)	(3.4)	
NET INCOME ATTRIBUTABLE TO VALARIS	\$ 12.9	\$ 74.3	\$ 30.2	\$ 147.3	
NET INCOME ATTRIBUTABLE TO VALARIS					
NET INCOME ATTRIBUTABLE TO VALARIS					
EARNINGS PER SHARE					
EARNINGS PER SHARE					
EARNINGS PER SHARE	Basic	\$ 0.18	\$ 0.99	\$ 0.40	\$ 1.96
Basic	Basic				
Basic					
Diluted	Diluted	\$ 0.17	\$ 0.98	\$ 0.40	\$ 1.95
Diluted	Diluted				
WEIGHTED-AVERAGE SHARES OUTSTANDING	WEIGHTED-AVERAGE SHARES OUTSTANDING				
WEIGHTED-AVERAGE SHARES OUTSTANDING					
WEIGHTED-AVERAGE SHARES OUTSTANDING	Basic				
WEIGHTED-AVERAGE SHARES OUTSTANDING	Basic				
Basic	Basic	73.7	75.1	74.6	75.0
Diluted	Diluted	74.8	75.6	75.7	75.5
Diluted	Diluted				

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

VALARIS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Three Months Ended March 31,				
Three Months Ended March 31,				
Three Months Ended March 31,				
2024				
2024				
2024				
NET INCOME	NET INCOME	\$ 17.0	\$ 77.7	\$ 38.3
OTHER COMPREHENSIVE INCOME (LOSS), NET				\$ 150.7
NET INCOME				
NET INCOME				
OTHER COMPREHENSIVE LOSS, NET				
OTHER COMPREHENSIVE LOSS, NET				
OTHER COMPREHENSIVE LOSS, NET				
Net reclassification adjustment for amounts recognized in net income as a component of net periodic pension benefit				
Net reclassification adjustment for amounts recognized in net income as a component of net periodic pension benefit				
Net reclassification adjustment for amounts recognized in net income as a component of net periodic pension benefit				
Net reclassification adjustment for amounts recognized in net income as a component of net periodic pension benefit	(0.1)	—	(0.3)	(0.1)
Other	Other	0.1	0.1	(0.2)
NET OTHER COMPREHENSIVE INCOME (LOSS)		—	0.1	(0.5)
Other				—
Other				
NET OTHER COMPREHENSIVE LOSS				
NET OTHER COMPREHENSIVE LOSS				
NET OTHER COMPREHENSIVE LOSS				
COMPREHENSIVE INCOME				
COMPREHENSIVE INCOME				
COMPREHENSIVE INCOME	COMPREHENSIVE INCOME	17.0	77.8	37.8
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(4.1)	(3.4)	(8.1)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS				(3.4)

COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS									
COMPREHENSIVE INCOME ATTRIBUTABLE TO VALARIS	COMPREHENSIVE INCOME ATTRIBUTABLE TO VALARIS	\$	12.9	\$	74.4	\$	29.7	\$	147.3
COMPREHENSIVE INCOME ATTRIBUTABLE TO VALARIS									
COMPREHENSIVE INCOME ATTRIBUTABLE TO VALARIS									

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

VALARIS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except par value amounts)

	September 30, 2023	December 31, 2022							
	(Unaudited)		March 31, 2024		March 31, 2024	December 31, 2023			
ASSETS	ASSETS		(Unaudited)						
ASSETS									
ASSETS									
ASSETS									
CURRENT ASSETS									
CURRENT ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	Cash and cash equivalents	\$ 1,041.1	\$ 724.1						
Restricted cash	Restricted cash	16.2	24.4						
Accounts receivable, net									
Accounts receivable, net									
Accounts receivable, net	Accounts receivable, net	492.4	449.1						
Other current assets	Other current assets	178.7	148.6						
Total current assets	Total current assets	1,728.4	1,346.2						
PROPERTY AND EQUIPMENT, AT COST	PROPERTY AND EQUIPMENT, AT COST	1,388.0	1,134.5						
Less accumulated depreciation	Less accumulated depreciation	228.1	157.3						
Property and equipment, net	Property and equipment, net	1,159.9	977.2						
LONG-TERM NOTES	LONG-TERM NOTES								
RECEIVABLE FROM ARO	RECEIVABLE FROM ARO	275.2	254.0						
INVESTMENT IN ARO	INVESTMENT IN ARO	116.1	111.1						

DEFERRED TAX ASSETS			
OTHER ASSETS			
OTHER ASSETS	OTHER ASSETS	205.3	171.8
		\$ 3,484.9	\$ 2,860.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
CURRENT LIABILITIES			
CURRENT LIABILITIES	CURRENT LIABILITIES		
Accounts payable - trade	Accounts payable - trade	\$ 376.4	\$ 256.5
Accrued liabilities and other	Accrued liabilities and other	346.6	247.9
Total current liabilities	Total current liabilities	723.0	504.4
LONG-TERM DEBT	LONG-TERM DEBT	1,079.4	542.4
DEFERRED TAX LIABILITIES			
OTHER LIABILITIES	OTHER LIABILITIES	482.5	515.6
Total liabilities	Total liabilities	2,284.9	1,562.4
COMMITMENTS AND CONTINGENCIES	COMMITMENTS AND CONTINGENCIES		
VALARIS SHAREHOLDERS' EQUITY	VALARIS SHAREHOLDERS' EQUITY		
Common shares, \$0.01 par value, 700.0 shares authorized, 75.4 and 75.2 shares issued, 73.1 and 75.2 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	0.8	0.8	
Preference shares, \$0.01 par value, 150.0 shares authorized, no shares issued as of September 30, 2023 and December 31, 2022	—	—	
Common shares, \$0.01 par value, 700.0 shares authorized, 75.4 shares issued, 72.4 shares outstanding as of March 31, 2024 and December 31, 2023			
Preference shares, \$0.01 par value, 150.0 shares authorized, no shares issued as of March 31, 2024 and December 31, 2023			

Stock warrants	Stock warrants	16.4	16.4
Additional paid-in capital	Additional paid-in capital	1,112.2	1,097.9
Retained earnings	Retained earnings	190.3	160.1
Accumulated other comprehensive income	Accumulated other comprehensive income	14.2	14.7
Treasury shares, at cost, 2.3 shares as of September 30, 2023		(150.0)	—
Treasury shares, at cost, 3.0 shares as of March 31, 2024 and December 31, 2023			
Total Valaris shareholders' equity	Total Valaris shareholders' equity	1,183.9	1,289.9
NONCONTROLLING INTERESTS	NONCONTROLLING INTERESTS	16.1	8.0
Total equity	Total equity	1,200.0	1,297.9
		\$ 3,484.9	\$ 2,860.3

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

VALARIS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended March 31,		Three Months Ended March 31,	
		2024		2023
OPERATING ACTIVITIES	OPERATING ACTIVITIES			
Net income				
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation expense				
Depreciation expense				
Depreciation expense				
	Nine Months Ended September 30,			
	2023	2022		
OPERATING ACTIVITIES				
Net income	\$ 38.3	\$ 150.7		
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				

Depreciation expense	73.6	67.4
Amortization	—	6.1
Loss on extinguishment of debt	29.2	—
Gain on asset disposals	(27.9)	(137.7)
Share-based compensation expense		
Share-based compensation expense		
Share-based compensation expense		
Accretion of discount on the Notes	Accretion of discount on the Notes	
Receivable from ARO	Receivable from ARO	
Share-based compensation expense	19.5	11.5
Equity in earnings of ARO	Equity in earnings of ARO	
Deferred income tax expense	Deferred income tax expense	
Net periodic pension and retiree medical income	(0.3)	(12.1)
Loss on impairment	—	34.5
Changes in contract liabilities		
Changes in contract liabilities		
Changes in contract liabilities		
Changes in deferred costs		
Other		
Changes in other operating assets and liabilities		
Contributions to pension plans and other post-retirement benefits		
Net cash provided by operating activities		
INVESTING ACTIVITIES		
Additions to property and equipment		
Other		

Net cash used in investing activities			
Net cash used in investing activities			
Net cash used in investing activities			
FINANCING ACTIVITIES			
Other	Other	5.5	1.8
Changes in contract liabilities		(3.9)	58.9
Changes in deferred costs		(29.3)	(47.7)
Changes in other operating assets and liabilities		90.0	(114.5)
Net cash provided by (used in) operating activities		170.8	(27.7)
INVESTING ACTIVITIES			
Additions to property and equipment		(233.1)	(153.1)
Net proceeds from disposition of assets		29.2	146.8
Purchases of short-term investments		—	(220.0)
Repayments of note receivable from ARO		—	40.0
Net cash used in investing activities		(203.9)	(186.3)
FINANCING ACTIVITIES			
Issuance of Second Lien Notes		1,103.0	—
Redemption of First Lien Notes		(571.8)	—
Payments for share repurchases		(147.4)	—
Debt issuance costs		(36.7)	—
Payments related to tax withholdings for share-based awards		(5.2)	(2.5)
Consent solicitation fees		—	(3.9)
Net cash provided by (used in) financing activities		341.9	(6.4)
Other			
Other			
Net cash used in financing activities			

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	308.8 (220.4)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	748.5 644.6
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	\$1,057.3 \$424.2

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

VALARIS LIMITED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Unaudited Condensed Consolidated Financial Statements

We prepared the accompanying condensed consolidated financial statements of Valaris Limited and its subsidiaries (the "Company," "Valaris," "our," "we" or "us") in accordance with accounting principles generally accepted in the United States of America ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") included in the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial information included in this report is unaudited but, in our opinion, includes all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The **December 31, 2022** December 31, 2023 Condensed Consolidated Balance Sheet data was derived from our **2022** 2023 audited consolidated financial statements but does not include all disclosures required by GAAP. The preparation of our condensed consolidated financial statements requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and disclosures of gain and loss contingencies as of the date of the financial statements. Actual results could differ from those estimates.

Results of operations for the three and nine months ended **September 30, 2023** March 31, 2024 are not necessarily indicative of the results of operations that will be realized for the year ending **December 31, 2023** December 31, 2024, or for any future period. We recommend these condensed consolidated financial statements be read in conjunction with our annual report on Form 10-K for the year ended **December 31, 2022** December 31, 2023, filed with the SEC on **February 21, 2023** February 22, 2024 (our "Annual Report").

Summary of Significant Accounting Policies

Please refer to "Note 1. Description of the Business and Summary of Significant Accounting Policies" of our Consolidated Financial Statements from our Annual Report for the discussion of our significant accounting policies. Certain previously reported amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncements

Recently Accounting pronouncements to be adopted accounting pronouncements

Business Combinations Improvements to Reportable Segment Disclosures - In **October 2021**, **November 2023**, the FASB issued ASU No. **2021-08**, **2023-07**, **"Accounting Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures** ("Update 2023-07"), which expands reportable

segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in Update 2023-07 require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to an entity's chief operating decision maker ("CODM"), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. Annual disclosures are required for **Contract Assets** fiscal years beginning after December 15, 2023 and **Contract Liabilities from Contracts with Customers** interim disclosures are required for periods within fiscal years beginning after December 15, 2024. Retrospective application is required for all prior periods presented, and early adoption is permitted. We are currently assessing the impact of the requirements on our condensed consolidated financial statements and disclosures.

Improvements to Income Tax Disclosures ("Update 2021-08"). In December 2023, the FASB issued ASU No. 2021-08 requires an entity (acquirer) 2023-09, *Income Taxes (Topic 740): Improvements to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 and provides practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. Income Tax Disclosures* ("Update 2023-09"), which expands income tax disclosure requirements to include additional information related to the rate reconciliation of our effective tax rates to statutory rates as well as additional disaggregation of taxes paid. The amendments in Update 2023-09 also apply remove disclosures related to contract assets certain unrecognized tax benefits and contract liabilities from other contracts to which the provisions of Topic 606 apply, such as contract liabilities for the sale of nonfinancial assets within the scope of Subtopic 610-20, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets*. The FASB issued the update to improve the accounting for acquired revenue contracts with customers in a business combination. **Update 2021-08 2023-09** is effective for fiscal years beginning after **December 15, 2022** December 15, 2024, and interim periods within those fiscal years, with early adoption permitted. The amendments are required to be applied on a prospective basis, with an option to apply the guidance retrospectively. We adopted Update 2021-08 effective January 1, 2023 with no material are currently assessing the impact to of the requirements on our condensed consolidated financial statements upon adoption.

Accounting pronouncements to be adopted

Reference Rate Reform - In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("Update 2020-04"), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in Update 2020-04 apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, for which an entity has elected certain optional expedients and that are retained through the end of the hedging relationship. The provisions in Update 2020-04 are effective upon issuance and can be applied prospectively through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, to extend the temporary accounting rules under Topic 848 from December 31, 2022, to December 31, 2024. Our long-term notes receivable from ARO, from which we generate interest income on a LIBOR-based rate (the "Notes Receivable from ARO"), are impacted by the application of this standard. As the Notes Receivable from ARO bear interest on the LIBOR rate determined at the end of the preceding year, the rate governing our interest income in 2023 has already been determined. We expect to be able to modify the terms of our Notes Receivable from ARO to a comparable interest rate before the applicable LIBOR rate is no longer available and as such, do not expect this standard to have a material impact to our condensed consolidated financial statements. **disclosures.**

With the exception of the updated standards discussed above, there have been no accounting pronouncements issued and not yet effective that have significance, or potential significance, to our condensed consolidated financial statements.

Note 2 - Revenue from Contracts with Customers

Our drilling contracts with customers provide a drilling rig and drilling services on a day rate contract basis. Under day rate contracts, we provide a drilling rig and rig crews for which we receive a daily rate that may vary between the full rate and zero rate throughout the duration of the contractual term, depending on the operations of the rig. We also may receive lump-sum fees or similar compensation generally for the mobilization, demobilization, and capital upgrades of our rigs. Our customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

Our drilling service provided under each drilling contract is a single performance obligation satisfied over time and comprised of a series of distinct time increments, or service periods. Total revenue is determined for each individual drilling contract by estimating both fixed and variable consideration expected to be earned over the contract term. Fixed consideration generally relates to activities such as mobilization, demobilization and capital upgrades of our rigs that are not distinct performance obligations within the context of our contracts and is recognized on a straight-line basis over the contract term. Variable consideration generally relates to distinct service periods during the contract term and is recognized in the period when the services are performed.

The remaining duration of our drilling contracts based on those in place as of **September 30, 2023** **March 31, 2024** was between approximately 1 month and 5 years.

Contract Termination - VALARIS DS-11

In 2021, a contract was awarded to VALARIS DS-11 for a project in the U.S. Gulf of Mexico that was expected to commence in mid-2024. In June 2022, the customer terminated the contract. As a result of the contract termination, we received an early termination fee of \$51.0 million which is included in revenues on our Condensed Consolidated Statements of Operations for the nine months ended September 30, 2022.

Contract Assets and Liabilities

Contract assets represent amounts recognized as revenue but for which the right to invoice the customer is dependent upon our future performance. Once the previously recognized revenue is invoiced, the corresponding contract asset, or a portion thereof, is transferred to accounts receivable.

Contract liabilities generally represent fees received for mobilization, capital upgrades or in the case of our 50/50 unconsolidated joint venture with Saudi Aramco, represent the difference between the amounts billed under the bareboat charter arrangements and lease revenues earned. See "[Note 3 – Equity Method Investment in ARO](#)" for additional details regarding our balances with ARO.

Contract assets and liabilities are presented net on our Condensed Consolidated Balance Sheets on a contract-by-contract basis. Current contract assets and liabilities are included in Other current assets and Accrued liabilities and other, respectively, and noncurrent contract assets and liabilities are included in Other assets and Other liabilities, respectively, on our Condensed Consolidated Balance Sheets.

The following table summarizes our contract assets and contract liabilities (in millions):

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Current contract assets	Current contract assets	\$ 0.5	\$ 4.6		
Noncurrent contract assets	Noncurrent contract assets	\$ 3.0	\$ 0.7		
Current contract liabilities (deferred revenue)	Current contract liabilities (deferred revenue)	\$ 103.4	\$ 78.0		
Noncurrent contract liabilities (deferred revenue)	Noncurrent contract liabilities (deferred revenue)	\$ 43.3	\$ 41.0		

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

	Contract Assets	Contract Liabilities
	Assets	Liabilities
Balance as of December 31, 2022	\$ 5.3	\$ 119.0
Balance as of December 31, 2023		
Revenue recognized in advance of right to bill customer	Revenue recognized in advance of right to bill customer	5.3
Increase due to revenue deferred during the period	Increase due to revenue deferred during the period	—
		119.4

Decrease due to amortization of deferred revenue that was included in the beginning contract liability balance	Decrease due to amortization of deferred revenue that was included in the beginning contract liability balance	—	(53.3)
Decrease due to amortization of deferred revenue added during the period	Decrease due to amortization of deferred revenue added during the period	—	(29.9)
Decrease due to transfer to receivables and payables during the period	Decrease due to transfer to receivables and payables during the period	(7.1)	(8.5)
Balance as of September 30, 2023	\$ 3.5	\$ 146.7	
Decrease due to transfer to receivables and payables during the period			
Decrease due to transfer to receivables and payables during the period			
Balance as of March 31, 2024			

Deferred Contract Costs

Costs incurred for upfront rig mobilizations and certain contract preparations are attributable to our future performance obligation under each respective drilling contract. These costs are deferred and amortized on a straight-line basis over the contract term. Deferred contract costs were included in Other current assets and Other assets on our Condensed Consolidated Balance Sheets and totaled \$84.9 million \$85.3 million and \$57.3 million \$85.1 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, amortization of such costs totaled \$25.0 million \$23.4 million and \$62.7 million, respectively. During the three and nine months ended September 30, 2022, amortization of such costs totaled \$18.8 million and \$41.0 million \$20.0 million, respectively.

Deferred Certification Costs

We must obtain certifications from various regulatory bodies in order to operate our drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs incurred in connection with maintaining such certifications, including inspections, tests, surveys and drydock, as well as remedial structural work and other compliance costs, are deferred and amortized on a straight-line basis over the corresponding certification periods. Deferred regulatory certification and compliance costs were included in Other current assets and Other assets on our Condensed Consolidated Balance Sheets and totaled \$17.9

million \$12.1 million and \$16.2 million \$14.5 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, amortization of such costs totaled \$3.2 million \$3.1 million and \$9.4 million \$2.7 million, respectively. During the three and nine months ended September 30, 2022, amortization of such costs totaled \$1.4 million and \$2.5 million, respectively.

Future Amortization of Contract Liabilities and Deferred Costs

The table below reflects the expected future amortization of our contract liabilities and deferred costs recorded as of September 30, 2023 March 31, 2024. In the case of our contract liabilities related to our bareboat charter arrangements with ARO, the contract liability is not amortized and as such, the amount is reflected in the table below at the end of the current lease term. See "[Note 3](#) - Equity Method Investment in ARO" for additional information on ARO and related arrangements.

	(In millions)						(In millions)				
	(In millions)						(In millions)				
	Remaining		2026 and		Total	Remaining 2024	2025	2026	2027 and Thereafter		Total
	2023	2024	2025	Thereafter							
Amortization of contract liabilities	\$ 34.8	\$ 95.3	\$ 13.4	\$ 3.2	\$ 146.7						
Amortization of deferred costs	\$ 32.9	\$ 54.8	\$ 10.8	\$ 4.3	\$ 102.8						

Note 3 - Equity Method Investment in ARO

Background

ARO is a 50/50 unconsolidated joint venture between the Company and Saudi Aramco that owns and operates jackup drilling rigs in Saudi Arabia. As of September 30, 2023 March 31, 2024, ARO owns ~~seven~~ eight jackup rigs, has ~~two~~ one newbuild jackup rigs ~~rig~~ on order, and leases ~~eight~~ nine rigs from us through bareboat charter arrangements (the "Lease Agreements") whereby substantially all operating costs are incurred by ARO.

The shareholder agreement governing the joint venture specifies that ARO ~~has plans to~~ shall purchase 20 newbuild jackup rigs over an approximate 10-year period. In January 2020, ARO ordered the first two newbuild jackups, the first of which, ~~Kingdom 1~~, was delivered and commenced operations in ~~October~~ the fourth quarter of 2023, and the second is expected to be delivered in the ~~first~~ second quarter of 2024. ARO is expected to ~~place~~ commit to orders for two additional newbuild jackups in the near term. In connection with these plans, we have a potential obligation to fund ARO for newbuild jackup rigs. See "[Note 11](#) - Contingencies" for additional information.

Summarized Financial Information

The operating revenues of ARO presented below reflect revenues earned under drilling contracts with Saudi Aramco for the ARO-owned jackup rigs as well as the rigs leased from us. Contract drilling expense is inclusive of the bareboat charter fees for the rigs leased from us. See additional discussion below regarding these related-party transactions.

Summarized financial information for ARO is as follows (in millions):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	Three Months Ended March 31,				Three Months Ended March 31,			
Revenues				Three Months Ended March 31,				
Revenues				Three Months Ended March 31,				
Revenues	Revenues	\$ 121.5		\$ 111.4		\$ 362.9		\$ 339.1
Operating expenses	Operating expenses							
Operating expenses								
Operating expenses								

Contract drilling (exclusive of depreciation)						
Contract drilling (exclusive of depreciation)						
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)	92.0	90.0	277.9	256.3	
Depreciation	Depreciation	15.8	15.4	46.4	47.3	
Depreciation						
Depreciation						
General and administrative						
General and administrative						
General and administrative	General and administrative	5.6	4.7	15.9	13.1	
Operating income	Operating income	8.1	1.3	22.7	22.4	
Operating income						
Operating income						
Other expense, net	Other expense, net	9.0	2.7	28.2	9.3	
Provision (benefit) for income taxes		0.4	(0.1)	2.3	3.1	
Other expense, net						
Other expense, net						
Provision for income taxes						
Provision for income taxes						
Provision for income taxes						
Net income (loss)	Net income (loss)	\$ (1.3)	\$ (1.3)	\$ (7.8)	\$ 10.0	
Net income (loss)						
Net income (loss)						

		September 30, 2023		December 31, 2022
		March 31, 2024		
		March 31, 2024		
		March 31, 2024		
Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents	Cash and cash equivalents	\$ 110.3	\$	176.2
Other current assets	Other current assets	191.2		140.6
Other current assets				
Other current assets				
Non-current assets	Non-current assets	915.3		818.1
Non-current assets				
Non-current assets				
Total assets				
Total assets				
Total assets	Total assets	\$ 1,216.8	\$	1,134.9
Current liabilities	Current liabilities	\$ 173.6	\$	86.3
Current liabilities				
Current liabilities				
Non-current liabilities				

Non-current liabilities	
Non-current liabilities	Non-current liabilities
Total liabilities	Total liabilities \$ 1,059.8
Total liabilities	
Total liabilities	

Equity in Earnings of ARO

We account for our interest in ARO using the equity method of accounting and only recognize our portion of ARO's net income, adjusted for basis differences as discussed below, in Equity in earnings of ARO in our Condensed Consolidated Statements of Operations.

Our equity method investment in ARO was recorded at its estimated fair value in fresh start accounting upon emergence from the chapter 11 cases on April 30, 2021 (the "Effective Date") and also on the date of our 2019 transaction where we acquired the subsidiary that held the joint venture interest. We computed the difference between the fair value of ARO's net assets and the carrying value of those net assets in ARO's U.S. GAAP financial statements ("basis differences") on each of these dates. We computed the difference between the fair value of ARO's net assets and the carrying value of those net assets in ARO's U.S. GAAP financial statements ("basis differences") on each of these dates. at that date. These basis differences primarily related to ARO's long-lived assets and the recognition of intangible assets associated with certain of ARO's drilling contracts that were determined to have favorable terms relative to market terms as of the measurement date.

Basis differences are amortized over the remaining life of the assets or liabilities to which they relate and are recognized as an adjustment to the Equity in earnings of ARO in our Condensed Consolidated Statements of Operations. The amortization of those basis differences is combined with our 50% interest in ARO's net income. A reconciliation of those components is presented below (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Three Months Ended March 31,				
Three Months Ended March 31,				
Three Months Ended March 31,				
	2024			
	2024			
	2024			
50% interest in ARO net income (loss)				
50% interest in ARO net income (loss)				
50% interest in ARO net income (loss)	50% interest in ARO net income (loss)	\$ (0.6)	\$ (0.7)	\$ (3.9)
Amortization of basis differences	Amortization of basis differences	3.0	3.6	8.9
Amortization of basis differences				
Amortization of basis differences				
Equity in earnings of ARO	Equity in earnings of ARO \$	2.4	\$ 2.9	\$ 5.0
Equity in earnings of ARO				
Equity in earnings of ARO				

Related-Party Transactions

During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, revenues recognized by us related to the Lease Agreements were \$19.1 million \$19.0 million and \$54.7 million, respectively. During the three and nine months ended September 30, 2022, revenues recognized by us related to the Lease Agreements were \$13.8 million and \$42.6 million \$18.8 million, respectively.

Our balances related to the ARO lease agreements were as follows (in millions):

	September 30, 2023	December 31, 2022
	March 31, 2024	
	March 31, 2024	

March 31, 2024				
Amounts receivable (1)				
Amounts receivable (1)				
Amounts receivable (1)	Amounts receivable (1)	\$ 17.6	\$	12.0
Contract liabilities(2)	Contract liabilities(2)	\$ 13.1	\$	16.7
Contract liabilities(2)				
Contract liabilities(2)				
Accounts payable(2)	Accounts payable(2)	\$ 54.9	\$	43.2
Accounts payable(2)				
Accounts payable(2)				

(1) Amounts receivable from ARO is included in Accounts receivable, net in our Condensed Consolidated Balance Sheets.

(2) The per day bareboat charter amount in the Lease Agreements is subject to adjustment based on actual performance of the respective rig and as such therefore, the corresponding contract liabilities related to the Lease Agreements are subject to adjustment during the lease term. Upon completion of the lease term, such amount becomes a payable to or a receivable from ARO.

During 2017 and 2018, the Company contributed cash assets to ARO in exchange for the 10-year Notes Receivable from ARO. The Notes Receivable, as amended in December 2023, bear interest based on a one-year LIBOR rate, term SOFR, set as of the end of the year prior to the year applicable, plus two percent, 2.10%. The Notes Receivable from ARO were adjusted to their estimated fair value as of the Effective Date in fresh start accounting upon emergence from bankruptcy in 2021 and the resulting discount to the principal amount is being amortized using the effective interest method to interest income over the remaining terms of the notes.

The principal amount and discount of the Notes Receivable from ARO were as follows (in millions):

		September 30, 2023		December 31, 2022
		March 31, 2024		
		March 31, 2024		
		March 31, 2024		
Principal amount	Principal amount			
Principal amount	Principal amount	\$ 402.7	\$	402.7
Discount	Discount	(127.5)		(148.7)
Discount	Discount			
Carrying value	Carrying value			
Carrying value	Carrying value	\$ 275.2	\$	254.0
Interest receivable(1)(2)	Interest receivable(1)(2)	\$ 22.8	\$	—
Interest receivable(1)(2)	Interest receivable(1)(2)			
Interest receivable(1)(2)	Interest receivable(1)(2)			

(1) Our interest receivable from ARO is included in Accounts receivable, net in our Condensed Consolidated Balance Sheets.

(2) We collected our 2022 2023 interest on the Notes Receivable from ARO in cash prior to December 31, 2022 December 31, 2023, and as such, there was no interest receivable from ARO as of December 31, 2022 December 31, 2023.

Interest income earned on the Notes Receivable from ARO was as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Three Months Ended March 31,				
Three Months Ended March 31,				

Three Months Ended March 31,							
		2024					
		2024					
Interest income	Interest income	\$	7.7	\$	2.8	\$	22.8
Non-cash amortization ⁽¹⁾⁽²⁾			7.2		22.4		21.2
Interest income							
Interest income							
Non-cash amortization ⁽¹⁾							
Non-cash amortization ⁽¹⁾							
Total interest income on the Notes Receivable from ARO	Total interest income on the Notes Receivable from ARO	\$	14.9	\$	25.2	\$	44.0
Total interest income on the Notes Receivable from ARO	Total interest income on the Notes Receivable from ARO	\$		\$		\$	46.4
Total interest income on the Notes Receivable from ARO	Total interest income on the Notes Receivable from ARO						
Total interest income on the Notes Receivable from ARO	Total interest income on the Notes Receivable from ARO						

⁽¹⁾ Represents the amortization of the discount on the Notes Receivable from ARO using the effective interest method to interest income over the term of the notes.

⁽²⁾ We recognized non-cash interest income of \$14.8 million in the third quarter of 2022 attributable to a \$40.0 million early principal repayment of the Notes Receivable from ARO received in September 2022.

Note 4 - Fair Value Measurements

The carrying values and estimated fair values of certain of our financial instruments were as follows (in millions):

	March 31, 2024		March 31, 2024		December 31, 2023	
	Carrying Value		Carrying Value		Carrying Value	Estimated Fair Value
	Second Lien Notes ⁽¹⁾	September 30, 2023	December 31, 2022	Carrying Value	Estimated Fair Value	Carrying Value
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value
Second Lien Notes ⁽¹⁾		\$ 1,079.4	\$ 1,102.7	\$ —	\$ —	
First Lien Notes ⁽¹⁾	\$ —	\$ —	\$ 542.4	\$ 545.9		
Long-term notes receivable from ARO ⁽²⁾						
Long-term debt	\$ 1,079.4	\$ 1,102.7	\$ 542.4	\$ 545.9		
Long-term notes receivable from ARO ⁽²⁾	\$ 275.2	\$ 429.9	\$ 254.0	\$ 336.7		

Long-term notes
receivable from ARO
(2)

(1) The estimated fair value of the 8.375% Senior Secured Second Lien Notes due 2030 (the "Second Lien Notes") and Senior Secured First Lien Notes due 2028 (the "First Lien Notes"), which were redeemed in full on April 3, 2023, was determined using quoted market prices, which are level 1 inputs.

(2) The estimated fair value of our Notes Receivable from ARO was estimated using an income approach to value the forecasted cash flows attributed to the Notes Receivable from ARO using a discount rate based on a comparable yield with a country-specific risk premium, which are considered to be level 2 inputs.

The estimated fair values of our cash and cash equivalents, restricted cash, accounts receivable and trade payables approximated their carrying values as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Note 5 - Property and Equipment

Property and equipment consisted of the following (in millions):

	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Drilling rigs and equipment	Drilling rigs and equipment	\$ 1,217.6	\$ 1,036.5		
Work-in-progress	Work-in-progress	130.9	59.8		
Other	Other	39.5	38.2		
	\$ 1,388.0	\$ 1,134.5			
	\$				

Assets held-for-use

In June 2022, the drilling contract previously awarded to VALARIS DS-11 was terminated. As of the date of termination, we had incurred costs to upgrade the rig pursuant to the requirements of the contract. Costs incurred related to these capital upgrades were included in work-in-progress and upon termination were determined to be impaired. We recorded a pre-tax, non-cash loss on impairment in the second quarter of 2022 of \$34.5 million.

Assets sold

During the nine months ended September 30, 2023, we recognized a pre-tax gain of \$27.3 million for the sale of VALARIS 54 in the second quarter.

During the nine months ended September 30, 2022, we recognized an aggregate pre-tax gain of \$128.5 million for the sales of VALARIS 113, VALARIS 114 and VALARIS 36. Additionally, we recognized a pre-tax gain of \$7.0 million related to additional proceeds received for our 2020 sale of VALARIS 68, resulting from post-sale conditions of that sale agreement.

Gains recognized on sales of assets are included in Other, net on the Condensed Consolidated Statements of Operations.

Note 6 - Pension and Other Post-retirement Benefits

We have defined-benefit pension plans and retiree medical plans that provide post-retirement health and life insurance benefits.

The components of net periodic pension and retiree medical income were as follows (in millions):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	2023	2022		2023	2022	

Interest cost	Interest cost	\$ 7.9	\$ 5.7	\$ 23.4	\$ 16.8
Interest cost					
Interest cost					
Expected return on plan assets					
Expected return on plan assets	Expected return on plan assets	(7.9)	(9.7)	(23.4)	(28.8)
Amortization of net gain	Amortization of net gain	(0.1)	—	(0.3)	(0.1)
Amortization of net gain					
Amortization of net gain	Amortization of net gain	—	—	—	—
Net periodic pension and retiree medical income ⁽¹⁾	Net periodic pension and retiree medical income ⁽¹⁾	\$ (0.1)	\$ (4.0)	\$ (0.3)	\$ (12.1)
Net periodic pension and retiree medical income ⁽¹⁾					
Net periodic pension and retiree medical income ⁽¹⁾					

⁽¹⁾ Included in Other, net, in our Condensed Consolidated Statements of Operations.

Note 7 - Earnings Per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Weighted-average shares outstanding used in our computation of diluted EPS is calculated using the treasury stock method and includes the effect of all potentially dilutive stock equivalents, including warrants, restricted stock unit awards and performance stock unit awards.

The following table is a reconciliation of the weighted-average shares used in our basic and diluted EPS computations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in millions):

	Three Months Ended March 31,		Nine Months Ended September 30,	
	Three Months Ended March 31,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Income from continuing operations attributable to our shares	\$ 12.9	\$ 74.3	\$ 30.2	\$ 147.3
Income attributable to our shares	—	—	—	—
Income attributable to our shares	—	—	—	—
Income attributable to our shares	—	—	—	—
Weighted average shares outstanding:	—	—	—	—
Weighted average shares outstanding:	—	—	—	—
Weighted average shares outstanding:	—	—	—	—
Basic	Basic	73.7	75.1	74.6
Basic	Basic	—	—	—
Basic	Basic	—	—	—
Effect of stock equivalents	Effect of stock equivalents	—	—	—
Effect of stock equivalents	Effect of stock equivalents	—	—	—
Effect of stock equivalents	Effect of stock equivalents	1.1	0.5	1.1
Effect of stock equivalents	Effect of stock equivalents	—	—	0.5

Diluted	Diluted	74.8	75.6	75.7	75.5
Diluted					
Diluted					

Anti-dilutive share awards totaling 35,000 75,000 and 104,000 8,000 were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2023, respectively.

Anti-dilutive share awards totaling 38,000 March 31, 2024 and 103,000 were excluded from the computation of diluted EPS for the three and nine months ended September 30, 2022, 2023, respectively.

We had 5,470,950 warrants outstanding (the "Warrants") as of September 30, 2023 March 31, 2024 to purchase common shares of Valaris Limited (the "Common Shares"), which are exercisable for one Common Share per Warrant at an initial exercise price of \$131.88 per Warrant and expire on April 29, 2028. The exercise of these Warrants into Common Shares would have a dilutive effect to the holdings of Valaris Limited's existing shareholders. These warrants are anti-dilutive for all periods presented.

Note 8 - Debt

First Lien Notes

On April 3, 2023, the Company issued a notice of conditional redemption to the holders of the Senior Secured First Lien Notes due 2028 (the "First Lien Notes") at a redemption price equal to 104.0% of the aggregate \$550.0 million principal amount of the First Lien Notes plus accrued and unpaid interest to, but not including, the redemption date (the "Redemption Price"). On April 19, 2023, in connection with the issuance of our Second Lien Notes, as discussed below, the Company discharged its obligations under the indenture governing the First Lien Notes and deposited the Redemption Price with Wilmington Savings Fund Society, as trustee under such indenture. The First Lien Notes were redeemed on May 3, 2023 for an aggregate redemption price of \$571.8 million (excluding accrued and unpaid interest). We accounted for the redemption as an extinguishment of debt and reported a corresponding loss of \$29.2 million in the second quarter of 2023, which is included in our Condensed Consolidated Statements of Operations for the nine months ended September 30, 2023.

Second Lien Notes

On April 19, 2023, the Company and Valaris Finance Company LLC ("Valaris Finance"), a wholly-owned subsidiary, issued and sold, at par, \$700.0 million aggregate principal amount of Second Lien Notes (the "Initial Second Lien Notes") in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of

1933, as amended (the "Securities Act"). The Initial Second Lien Notes were issued at par for net proceeds of \$681.4 million, after deducting the initial purchasers' discount and offering expenses. A portion of the proceeds were used to fund the redemption of all of the outstanding First Lien Notes as discussed above.

On August 21, 2023, the Company and Valaris Finance issued, at 100.75% of par, an additional \$400.0 million aggregate principal amount of additional Second Lien Notes (the "Additional Notes") in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act. The Additional Notes were issued at 100.75% of par, plus accrued interest from April 19, 2023. The net proceeds were approximately \$396.9 million after deducting the initial purchasers' discount and estimated offering expenses, and excluding accrued interest received of \$11.4 million.

The Initial Second Lien Notes and the Additional Notes form a single series and are collectively referred to as the "Second Lien Notes".

The Second Lien Notes were issued under the Indenture, dated as of April 19, 2023 (the "Indenture"), and will mature on April 30, 2030. The Second Lien Notes bear an interest rate of 8.375% per annum with an effective and interest rate of 8.76%. Interest is payable semi-annually in arrears on April 30 and October 30 of each year, beginning on October 30, 2023. The Second Lien Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by the Guarantors and by each of the Company's future restricted subsidiaries (other than Valaris Finance) that guarantees any debt of the Issuers or any guarantor under certain future debt in an aggregate principal amount in excess of a certain amount. The Second Lien Notes and the related guarantees are secured on a second-priority basis by the Collateral (as defined below).

On or after April 30, 2026, the Issuers may, at their option, redeem all or any portion of the Second Lien Notes, at once or over time, at the redemption prices set forth below, plus accrued and unpaid interest, if any, to, but not including, the redemption date. The following prices are for Second Lien Notes redeemed during the 12-month period commencing on April 30 of the years set forth below, and are expressed as percentages of principal amount:

Redemption Year	Price
2026	104.188%
2027	102.094%
2028 and thereafter	100.000%

At any time prior to April 30, 2026, the Issuers may, on any one or more occasions, redeem up to 40.0% of the aggregate principal amount of the Second Lien Notes issued under the Indenture (including any additional Second Lien Notes issued in the future) with an amount equal to or less than the net cash proceeds of certain equity offerings, at a redemption price equal to 108.375% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to but not including, the redemption date. In addition, at any time prior to April 30, 2026, the Issuers may redeem up to 10.0% of the aggregate principal amount of the Second Lien Notes during any twelve-month period at a redemption price equal to 103.0% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the redemption date.

At any time prior to April 30, 2026, the Issuers may redeem some or all of the Second Lien Notes at a price equal to 100.0% 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 the Company'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 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 Company'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. As of **September 30, 2023** **March 31, 2024**, we were in compliance with our covenants under the Indenture.

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 101.0% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the repurchase date.

Senior Secured Revolving Credit Facility

On April 3, 2023, the Company entered into a senior secured revolving credit agreement (the "Credit Agreement"). The Credit Agreement provides for commitments permitting borrowings of up to \$375.0 million (which may be increased, subject to the satisfaction of certain conditions and the agreement of lenders to provide such additional commitments and the satisfaction of certain conditions, by an additional \$200.0 million pursuant to the terms of the Credit Agreement) and includes a \$150.0 million sublimit for the issuance of letters of credit. Valaris Finance and certain other subsidiaries of the Company (together with Valaris Finance, the "Guarantors") guarantee the Company's obligations under the Credit Agreement, and the lenders have a first priority lien on the assets securing the Credit Agreement. The commitments under the Credit Agreement became available to be borrowed on April 19, 2023 (the "Availability Date").

The Credit Agreement and the related guarantees are secured on a first-priority basis, subject to permitted liens, by (a) first preferred ship mortgages over each vessel owned by us and the Guarantors as of the Availability Date, with certain exceptions (the "Collateral Vessels"); (b) first priority assignments of certain insurances and requisition compensation in respect of the Collateral Vessels; (c) first priority pledges of all equity interests in our subsidiaries that own Collateral Vessels and certain subsidiaries that hold equity interests in entities that own vessels (the "Collateral Rig Owners"); (d) first priority assignments of earnings of the Collateral Vessels from the Collateral Rig Owners; (e) any vessels and other assets of ours and the Guarantors that are pledged, at our option, to secure the Credit Agreement; and (f) all proceeds thereof (the "Collateral").

Amounts borrowed under the Credit Agreement are subject to an interest rate per annum equal to, at our option, either (a) a base rate determined as the greatest of (i) a prime rate, (ii) the federal funds rate plus 0.5% and (iii) Term SOFR (as defined in the Credit Agreement) for a one month interest period plus 1.1% (such base rate to be subject to a 1% floor) or (b) Term SOFR plus 0.10% (subject to a 0% floor), plus, in each case of clauses (a) and (b) above, an applicable margin ranging from 1.50% to 3.00% and 2.50% to 4.00%, respectively, based on the credit ratings that are one notch higher than the corporate family ratings provided by Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") with respect to Valaris Limited.

In addition to paying interest on outstanding borrowings under the Credit Agreement, Additionally, we are required to pay a quarterly commitment fee to the lenders under the Credit Agreement with respect to the average daily unutilized commitments thereunder at a rate ranging from 0.375% to 0.75% depending on the credit ratings that are one notch higher than the corporate family ratings provided by S&P and Moody's with respect to Valaris Limited. With respect to each letter of credit issued pursuant to the Credit Agreement, we are required to pay a letter of credit fee equal to the applicable margin in effect for Term SOFR loans and a fronting fee in an amount to be mutually agreed between us and the issuer of such letter of credit. We are also required to pay customary agency fees in respect of the Credit Agreement.

The Credit Agreement contains various covenants that limit, among other things, our and our restricted subsidiaries' ability to: incur indebtedness; grant liens; dispose of certain assets; make certain acquisitions and investments; redeem or prepay other debt or make other restricted payments such as distributions to shareholders; enter into transactions with affiliates; enter into sale-leaseback transactions; and enter into a merger, amalgamation, consolidation or sale of assets. Further, the Credit Agreement contains financial covenants that require us to maintain (i) a minimum book value of equity to total assets ratio, (ii) a minimum interest coverage ratio and (iii) a minimum amount of liquidity.

As of **September 30, 2023** **March 31, 2024**, we were in compliance in all material respects with our covenants under the Credit Agreement. We had no amounts outstanding under the Credit Agreement as of **September 30, 2023** **March 31, 2024**.

Note 9 - Shareholders' Equity

Activity in our various shareholders' equity accounts for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023** were as follows (in millions):

	Shares Issued	Additional Shares Par Paid-in Issued Value Capital						Retained Earnings	Treasury Shares	Non- controlling Interest
BALANCE, December 31, 2023										
Net income										
Share-based compensation cost										
	Additional Shares Par Paid-in Issued Value Capital						Non- controlling Shares Interest			
BALANCE, December 31, 2022	75.2	\$0.8	\$1,097.9	\$ 16.4	\$ 160.1	\$14.7	\$ —	\$ 8.0		
Net income	—	—	—	—	46.7	—	—	—	1.9	
Share-based compensation cost	—	—	5.7	—	—	—	—	—	—	
Net changes in pension and other postretirement benefits	Net changes in pension and other postretirement benefits	—	—	—	—	—	(0.1)	—	—	
Net other comprehensive loss	—	—	—	—	—	(0.1)	—	—	—	
BALANCE, March 31, 2023	75.2	\$0.8	\$1,103.6	\$ 16.4	\$ 206.8	\$14.5	\$ —	\$ 9.9		
Net income (loss)	—	—	—	—	(29.4)	—	—	—	2.1	
Share-based compensation cost	—	—	7.0	—	—	—	—	—	—	
Repurchase of Common Shares	—	—	—	—	—	—	(65.0)	—	—	
Net changes in pension and other postretirement benefits	Net changes in pension and other postretirement benefits	—	—	—	—	—	(0.1)	—	—	
Shares withheld for taxes on vesting of share-based awards	—	—	(0.3)	—	—	—	—	—	—	
Net other comprehensive loss	—	—	—	—	—	(0.2)	—	—	—	
BALANCE, June 30, 2023	75.2	\$0.8	\$1,110.3	\$ 16.4	\$ 177.4	\$14.2	\$ (65.0)	\$ 12.0		
Net income	—	—	—	—	12.9	—	—	—	4.1	
Share-based compensation cost	—	—	6.8	—	—	—	—	—	—	
Shares issued under share- based compensation plans, net	0.2	—	—	—	—	—	—	—	—	
Repurchase of Common Shares	—	—	—	—	—	—	(85.0)	—	—	
Net changes in pension and other postretirement benefits	Net changes in pension and other postretirement benefits	—	—	—	—	—	(0.1)	—	—	
Shares withheld for taxes on vesting of share-based awards	Shares withheld for taxes on vesting of share-based awards	—	—	(4.9)	—	—	—	—	—	

Net other comprehensive income	—	—	—	—	—	0.1	—	—
BALANCE, September 30, 2023	75.4	\$ 0.8	\$ 1,112.2	\$ 16.4	\$ 190.3	\$ 14.2	(150.0)	\$ 16.1
BALANCE, March 31, 2024								

	Shares Issued	Par Value	Additional Paid-in Capital	Warrants	Retained Earnings (Deficit)	AOCI	Non-controlling Interest
BALANCE, December 31, 2021	75.0	\$ 0.8	\$ 1,083.0	\$ 16.4	\$ (16.4)	\$ (9.1)	\$ 2.7
Net loss	—	—	—	—	(38.6)	—	(1.2)
Share-based compensation cost	—	—	3.4	—	—	—	—
Net other comprehensive loss	—	—	—	—	—	(0.3)	—
BALANCE, March 31, 2022	75.0	\$ 0.8	\$ 1,086.4	\$ 16.4	\$ (55.0)	\$ (9.4)	\$ 1.5
Net income	—	—	—	—	111.6	—	1.2
Net changes in pension and other postretirement benefits	—	—	—	—	—	(0.1)	—
Share-based compensation cost	—	—	3.5	—	—	—	—
Shares withheld for taxes on vesting of share-based awards	—	—	(0.2)	—	—	—	—
Net other comprehensive income	—	—	—	—	—	0.3	—
BALANCE, June 30, 2022	75.0	\$ 0.8	\$ 1,089.7	\$ 16.4	\$ 56.6	\$ (9.2)	\$ 2.7
Net income	—	—	—	—	74.3	—	3.4
Share-based compensation cost	—	—	4.6	—	—	—	—
Shares withheld for taxes on vesting of share-based awards	—	—	(2.3)	—	—	—	—
Net other comprehensive income	—	—	—	—	—	0.1	—
BALANCE, September 30, 2022	75.0	\$ 0.8	\$ 1,092.0	\$ 16.4	\$ 130.9	\$ (9.1)	\$ 6.1

	Shares Issued	Par Value	Additional Paid-in Capital	Warrants	Retained Earnings	AOCI	Treasury Shares	Non-controlling Interest
BALANCE, December 31, 2022	75.2	\$ 0.8	\$ 1,097.9	\$ 16.4	\$ 160.1	\$ 14.7	\$ —	\$ 8.0
Net income	—	—	—	—	46.7	—	—	1.9
Share-based compensation cost	—	—	5.7	—	—	—	—	—
Net changes in pension and other postretirement benefits	—	—	—	—	—	(0.1)	—	—
Net other comprehensive loss	—	—	—	—	—	(0.1)	—	—
BALANCE, March 31, 2023	75.2	\$ 0.8	\$ 1,103.6	\$ 16.4	\$ 206.8	\$ 14.5	\$ —	\$ 9.9

Share Repurchase Program

In 2022, our board of directors authorized a share repurchase program (the "Share Repurchase Program") under which we may purchase up to \$100.0 million of our outstanding Common Shares. In April 2023, the board of directors authorized an increase of this amount to \$300.0 million and in February 2024, authorized a further increase to \$600.0 million. The share repurchase program does not have a fixed expiration, may be modified, suspended or discontinued at any time and any repurchases made pursuant to the share repurchase program are subject to compliance with applicable covenants and restrictions under our financing agreements. During There were no share repurchases during each of the three months ended September 30, 2023 March 31, 2024 and 2023. As of March 31, 2024, we repurchased 1.2 million shares at an aggregate cost of \$85.0 million had approximately \$400.0 million at an average price of \$73.30. During available for share repurchases pursuant to the nine months ended September 30, 2023, we repurchased 2.3 million shares at an aggregate cost of \$150.0 million at an average price of \$66.24. Share Repurchase Program.

Note 10 - Income Taxes

Historically, we calculated our provision for income taxes during interim reporting periods by applying the estimated annual effective tax rate for the full fiscal year to pre-tax income or loss, excluding discrete items, for the reporting period. We determined that since small changes in estimated pre-tax income or loss would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate of income taxes for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, and therefore, we used a discrete effective tax rate method to calculate income taxes for each of these periods. We will continue to evaluate income tax estimates under the historical method in subsequent quarters and employ a discrete effective tax rate method if warranted.

Discrete income tax benefit for the three months ended **September 30, 2023** **March 31, 2024** was \$2.0 million and was primarily attributable to the resolution of prior period tax matters, partially offset by changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years. Discrete income tax benefit of \$39.5 million for the nine months ended **September 30, 2023** was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and the resolution of other prior period tax matters. Excluding the aforementioned discrete tax items, income tax expense for the three and nine months ended **September 30, 2023** was \$12.7 million and \$47.1 million, respectively.

A substantial portion of our deferred tax assets are subject to a valuation allowance. During the three months ended **September 30, 2023**, we recognized a \$6.2 million deferred tax benefit from the reduction of valuation allowances on deferred tax assets for a change in estimated future taxable income in certain operating jurisdictions. We intend to continue maintaining a valuation allowance on a substantial portion of our deferred tax assets until there is sufficient evidence to support a reversal of such allowances. However, given the current operating environment and our anticipated future earnings, we believe there is a reasonable possibility that sufficient positive evidence may become available to allow us to reach a conclusion that a portion of the valuation allowance on deferred tax assets will no longer be needed. A reduction in our valuation allowance would result in the recognition of a deferred tax benefit during the period in which the reduction is recognized. The timing and amount of future valuation allowance reductions are subject to future levels of contracting and profitability achieved.

Discrete income tax expense for the three months ended **September 30, 2022** was \$1.4 million \$6.6 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years, partially offset by discrete tax benefits attributable to the resolution of other prior period tax matters. Discrete income tax benefit for the **nine** three months ended **September 30, 2022** **March 31, 2023** was \$6.9 million \$43.8 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and resolution of other prior period tax matters, partially offset by discrete tax expense attributable to income associated with a contract termination. years. Excluding the aforementioned discrete tax items, income tax expense for the three and nine months ended **September 30, 2022** **March 31, 2024** and **2023** was \$12.4 million \$19.5 million and \$40.2 million \$16.2 million, respectively.

Luxembourg Tax Assessments

In December 2023, one of the Company's Luxembourg subsidiaries received tax assessments for fiscal years 2019, 2020, 2021 and 2023. In February 2024, the Luxembourg tax authorities rescinded the portion of the assessment relating to 2023, resulting in a revised aggregate tax assessment of approximately €60.0 million (approximately \$63.0 million converted at current period-end exchange rates). We recorded a liability for uncertain tax positions for this amount during the fourth quarter of 2023 and contested the validity and amount of the assessments. In April 2024, we received a favorable decision from the Luxembourg tax authorities stating that the assessments for the 2019-2021 tax years are not enforceable. As a result, we will reverse the uncertain tax position liability for the previously issued assessments and recognize a tax benefit of approximately \$63.0 million in our condensed consolidated statements of operations during the second quarter of 2024.

Tax Legislation

The Organization for Economic Co-operation and Development issued Pillar Two rules introducing a new global minimum tax of 15% applied on a country-by-country basis effective on January 1, 2024. Certain jurisdictions have enacted new tax laws to align with the recommendations under Pillar Two while other jurisdictions have proposed or are actively considering changes to existing tax laws based on the new rules. The impact of the Pillar Two model rules which have been enacted to date was not significant to our condensed consolidated financial statements for the three months ended March 31, 2024. There remains uncertainty as to how global legislation relating to Pillar Two will evolve and we will continue to monitor developments related to this initiative and the potential impact on future periods.

Note 11 - Contingencies

ARO Newbuild Funding Obligations

In connection with our 50/50 unconsolidated joint venture, we have a potential obligation to fund ARO for newbuild jackup rigs. The shareholder agreement governing the joint venture specifies that ARO has plans to shall purchase 20 newbuild jackup rigs over an approximate 10-year period. The joint venture partners intend for the newbuild jackup rigs to be financed out of available cash on hand and from ARO's operations and/or funds available from third-party debt financing. The first newbuild jackup, Kingdom 1, was delivered and commenced operations in the fourth quarter of 2023, and the second is expected to be delivered in the second quarter of 2024. In January 2020, ARO paid 25% of the purchase price from cash on hand for each of the two newbuilds, and in October 2023, entered into a \$359.0 million term loan to finance the remaining payments due upon delivery and for general corporate purposes. The term loan matures in eight years following the related drawdown under the term loan and requires equal quarterly amortization payments during the term, with a 50% balloon payment due at maturity. The term loan bears interest based on the three-month Secured Overnight Financing Rate (SOFR) SOFR plus a margin ranging from 1.25% to 1.4%. Our Notes Receivable from ARO are subordinated and junior in right of payment to ARO's term loan. In the event ARO has insufficient cash from operations or is unable to

obtain third-party financing, each partner may periodically be required to make additional capital contributions to ARO, up to a maximum aggregate contribution of \$1.25 billion from each partner to fund the newbuild program. Beginning with the delivery of the second newbuild, each partner's commitment shall be reduced by the lesser of the actual cost of each newbuild rig as delivered, or \$250.0 million, on a proportionate basis.

Letters of Credit

In the ordinary course of business with customers and others, we have entered into letters of credit to guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Letters of credit outstanding as of **September 30, 2023** **March 31, 2024** totaled **\$95.8 million** **\$97.2 million** and are issued under facilities provided by various banks and other financial institutions, but none were issued under the Credit Agreement. Obligations under these letters of credit are not normally called, as we typically comply with the underlying performance requirements. As of **September 30, 2023** **March 31, 2024**, we had collateral deposits in the amount of **\$14.0** **\$13.2** million with respect to these agreements.

Patent Litigation

In December 2022, a subsidiary of Transocean Ltd. commenced an arbitration proceeding against us alleging breach of a license agreement related to certain dual-activity drilling patents. We are unable to estimate our potential exposure, if any, to the proceeding at this time but do not believe that our ultimate liability, if any, resulting from this proceeding will have a material effect on our consolidated financial condition, results of operations or cash flows. We do not believe that we have breached the license agreement and intend to defend ourselves vigorously against this claim.

Brazil Administrative Proceeding

In July 2023, we received notice of an administrative proceeding initiated against us in Brazil. Specifically, the Federal Court of Accounts ("TCU") is seeking from us, Samsung Heavy Industries ("SHI") and others, on a joint and several basis, a total of approximately BRL **601** **601.0** million (approximately \$120.0 million at the current quarter-end exchange rates) in damages that TCU asserts arose from the overbilling to Petrobras in 2015 in relation to the drilling services agreement with Petrobras for VALARIS DS-5 (the "DSA"). As fully disclosed in our prior periodic reports, the DSA was previously the subject of (1) investigations by the SEC and the **U.S. Department of Justice**, each of which closed their investigation of us in 2018 without any enforcement action, (2) an arbitration proceeding against SHI in which we prevailed resulting in SHI making a \$200.0 million cash payment to us in December 2019, and (3) a settlement with Petrobras normalizing our business relations in August 2018. We plan to vigorously defend ourselves against the allegations made by the TCU. **Because these proceedings are in their initial stages, we are unable to estimate our potential exposure, if any, at this time.**

Other Matters

In addition to the foregoing, we are named defendants or parties in certain other lawsuits, claims or proceedings incidental to our business and are involved from time to time as parties to governmental investigations or proceedings, including matters related to taxation, arising in the ordinary course of business. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, we do not expect these matters to have a material adverse effect on our financial position, operating results and cash flows.

Note 12 - Segment Information

Our business consists of four operating segments: (1) **Floate**rs, which includes our drillships and semisubmersible rigs, (2) **Jackups**, (3) **ARO** and (4) **Other**, which consists of management services on rigs owned by third parties and the activities associated with our arrangements with ARO under the Lease Agreements. **Floate**rs, **Jackups** and **ARO** are also reportable segments.

Our onshore support costs included within Contract drilling expenses are not allocated to our operating segments for purposes of measuring segment operating income (loss) and as such, those costs are included in "Reconciling Items." Further, General and administrative expense and Depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income (loss) and are included in "Reconciling Items". We measure segment assets as Property and equipment, net.

The full operating results included below for ARO are not included within our consolidated results and thus are deducted under "Reconciling Items" and replaced with our equity in earnings of ARO. See "[Note 3](#) - Equity Method Investment in ARO" for additional information on ARO and related arrangements. Similarly, the Property and equipment, net balances presented below for ARO are not included within our condensed consolidated balance sheets and thus are also deducted under "Reconciling Items."

Segment information for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively, are presented below (in millions):

*Three Months Ended **September 30, 2023** **March 31, 2024***

Reconciling Consolidated					
Floate	Jackups	ARO	Other	Items	Total

Floater		Jackup		ARO		Other		Reconciling Items		Consolidated Total	
Revenues	Revenues	\$ 243.3	\$ 165.9	\$ 121.5	\$ 45.9	\$ (121.5)	\$ 455.1			\$ 455.1	
Operating expenses	Operating expenses										
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)	215.2	121.7	92.0	18.8	(56.8)	390.9				
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)										
Depreciation	Depreciation										
Depreciation	Depreciation	14.2	10.2	15.8	1.3	(15.7)	25.8				
General and administrative	General and administrative	—	—	5.6	—	18.6	24.2				
Equity in earnings of ARO	Equity in earnings of ARO	—	—	—	—	2.4	2.4				
Operating income	Operating income	\$ 13.9	\$ 34.0	\$ 8.1	\$ 25.8	\$ (65.2)	\$ 16.6				
Property and equipment, net	Property and equipment, net	\$ 609.1	\$ 443.0	\$ 873.4	\$ 53.3	\$ (818.9)	\$ 1,159.9				

Three Months Ended September 30, 2022 March 31, 2023

		Floater		Jackup		ARO		Other		Reconciling Items		Consolidated Total	
Revenues		\$	201.7	\$	195.9	\$	111.4	\$	39.6	\$	(111.4)	\$	437.2
Operating expenses													
Contract drilling (exclusive of depreciation)			160.5		128.0		90.0		17.8		(59.6)		336.7
Depreciation			12.6		8.7		15.4		1.2		(15.3)		22.6
General and administrative			—		—		4.7		—		14.5		19.2
Equity in earnings of ARO			—		—		—		—		2.9		2.9
Operating income		\$	28.6	\$	59.2	\$	1.3	\$	20.6	\$	(48.1)	\$	61.6
Property and equipment, net		\$	473.4	\$	386.7	\$	757.7	\$	57.7	\$	(721.9)	\$	953.6

Nine Months Ended September 30, 2023

		Floater		Jackup		ARO		Other		Reconciling Items		Consolidated Total	
Revenues		\$	685.5	\$	480.3	\$	362.9	\$	134.6	\$	(362.9)	\$	1,300.4
Operating expenses													
Contract drilling (exclusive of depreciation)			586.0		394.1		277.9		57.2		(173.6)		1,141.6
Depreciation			40.8		28.8		46.4		3.8		(46.2)		73.6
General and administrative			—		—		15.9		—		59.1		75.0
Equity in earnings of ARO			—		—		—		—		5.0		5.0
Operating income		\$	58.7	\$	57.4	\$	22.7	\$	73.6	\$	(197.2)	\$	15.2
Property and equipment, net		\$	609.1	\$	443.0	\$	873.4	\$	53.3	\$	(818.9)	\$	1,159.9

Nine Months Ended September 30, 2022

		Reconciling Items					Consolidated Total			
		Floater	Jackup	ARO	Other	Items	Total			
Floater										

Revenues	Revenues	\$ 489.5	\$ 562.4	\$ 339.1	\$ 117.0	\$ (339.1)	\$ 1,168.9
Operating expenses	Operating expenses						
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)	473.4	409.4	256.3	58.0	(167.3)	1,029.8
Loss on impairment		34.5	—	—	—	—	34.5
Contract drilling (exclusive of depreciation)							
Contract drilling (exclusive of depreciation)							
Depreciation	Depreciation						
Depreciation	Depreciation	37.1	26.5	47.3	3.4	(46.9)	67.4
General and administrative	General and administrative	—	—	13.1	—	43.9	57.0
Equity in earnings of ARO	Equity in earnings of ARO	—	—	—	—	15.9	15.9
Operating income (loss)		\$ (55.5)	\$ 126.5	\$ 22.4	\$ 55.6	\$ (152.9)	\$ (3.9)
Equity in earnings of ARO							
Equity in earnings of ARO							
Operating income							
Property and equipment, net	Property and equipment, net	\$ 473.4	\$ 386.7	\$ 757.7	\$ 57.7	\$ (721.9)	\$ 953.6

Information about Geographic Areas

As of **September 30, 2023** **March 31, 2024**, the geographic distribution of our and ARO's drilling rigs was as follows:

		Total				Total Valaris	ARO
		Floater	Jackup	Other	Vararis		
Middle East & Africa	Middle Africa	3	5	8	16	7	
Europe & the Mediterranean		3	12	—	15	—	
Europe							
North & South America	North & America	8	7	—	15	—	
Asia & Pacific Rim	Asia & Pacific Rim	2	3	—	5	—	
Total	Total	16	27	8	51	7	
	Total						
	Total						

We provide management services in the U.S. Gulf of Mexico on two rigs owned by a third party not included in the table above.

We are a party to contracts whereby we have the option to take delivery of VALARIS DS-13 and VALARIS DS-14, two recently constructed drillships, that are not included in the table above.

ARO has ordered **two** newbuild **jackups**, which **are** under construction in the Middle East **that are** and expected to be delivered in the second quarter of 2024. This rig is not included in the table above.

Note 13 - Supplemental Financial Information

Condensed Consolidated Balance Sheet Information

Accounts receivable, net, consisted of the following (in millions):

	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Trade	Trade	\$ 435.5	\$ 345.7		
Income tax receivables	Income tax receivables	50.9	93.6		
Other	Other	21.7	24.6		
		508.1	463.9		
Allowance for doubtful accounts	Allowance for doubtful accounts	(15.7)	(14.8)		
		\$ 492.4	\$ 449.1		

Other current assets consisted of the following (in millions):

	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Deferred costs	Deferred costs	\$ 78.9	\$ 59.1		
Prepaid taxes	Prepaid taxes	48.4	44.6		
Prepaid expenses	Prepaid expenses	23.9	17.5		
Other	Other	27.5	27.4		
Other					
		\$ 178.7	\$ 148.6		

Accrued liabilities and other consisted of the following (in millions):

	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Current contract liabilities (deferred revenues)	Current contract liabilities (deferred revenues)	\$ 103.4	\$ 78.0		
Personnel costs	Personnel costs	65.2	55.8		

Income and other taxes payable	Income and other taxes payable	54.8	41.4
Accrued interest	Accrued interest	41.6	7.6
Lease liabilities			
Accrued claims	Accrued claims	24.6	27.2
Lease liabilities		17.0	9.4
Other	Other	40.0	28.5
		\$ 346.6	\$ 247.9

Other liabilities consisted of the following (in millions):

	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Unrecognized tax benefits (inclusive of interest and penalties)	Unrecognized tax benefits (inclusive of interest and penalties)	\$ 234.5	\$ 275.0		
Pension and other post-retirement benefits	Pension and other post-retirement benefits	155.3	159.8		
Lease liabilities					
Noncurrent contract liabilities (deferred revenues)	Noncurrent contract liabilities (deferred revenues)	43.3	41.0		
Other	Other	49.4	39.8		
	\$ 482.5	\$ 515.6			

Condensed Consolidated Statements of Operations Information

Other, net consisted of the following (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net foreign currency exchange gains	\$ 3.6	\$ 9.8	\$ 3.4	\$ 25.2
Net periodic pension income	0.1	4.0	0.3	12.1
Loss on debt extinguishment	—	—	(29.2)	—
Net gain on sale of property	—	0.1	27.9	137.7
Other income (expense)	0.2	(0.2)	1.3	(2.3)
	\$ 3.9	\$ 13.7	\$ 3.7	\$ 172.7

	Three Months Ended March 31,	
	2024	2023
Net foreign currency exchange gains	\$ 5.4	\$ 0.5

Net periodic pension and retiree medical income	0.7	0.1
Other expense	(0.3)	—
	\$ 5.8	\$ 0.6

Condensed Consolidated Statement of Cash Flows Information

Our restricted cash consists primarily of \$14.0 million and \$20.7 million of collateral on letters of credit at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. See "Note 11 - Contingencies" for more information regarding our letters of credit.

We received an income tax refund of \$45.9 million during the first quarter of 2023 related to the U.S. Coronavirus Aid, Relief, and Economic Security Act.

Concentration of Risk

Credit Risk - We are exposed to credit risk relating to our cash and cash equivalents and receivables from customers. Our cash and cash equivalents are primarily held by various well-capitalized and credit-worthy financial institutions. We monitor the credit ratings of these institutions and limit the amount of exposure to any one institution and therefore, do not believe a significant credit risk exists for these balances. We mitigate our credit risk relating to receivables from customers, which consist primarily of major international, government-owned and independent oil and gas companies, by performing ongoing credit evaluations. We also maintain reserves for potential credit losses, which generally have been within our expectations.

Customer Concentration - Consolidated revenues with customers that individually contributed 10% or more of revenue in either of the three or nine months ended September 30, 2023, March 31, 2024 and 2022 2023 were as follows:

	Three Months Ended September 30, 2023				Three Months Ended September 30, 2022			
	Floater	Jackups	Other	Total	Floater	Jackups	Other	Total
BP plc ("BP")	— %	5 %	6 %	11 %	5 %	3 %	6 %	14 %
Eni S.p.A ("Eni")	1 %	4 %	— %	5 %	— %	4 %	— %	4 %
Equinor ASA ("Equinor")	3 %	— %	— %	3 %	— %	6 %	— %	6 %
Other customers	49 %	28 %	4 %	81 %	41 %	32 %	3 %	76 %
	53 %	37 %	10 %	100 %	46 %	45 %	9 %	100 %

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
	Floater	Jackups	Other	Total	Floater	Jackups	Other	Total
BP plc	6 %	4 %	6 %	16 %	2 %	5 %	6 %	13 %
Equinor ASA	11 %	— %	— %	11 %	— %	— %	— %	— %
Eni S.p.A	2 %	5 %	— %	7 %	7 %	7 %	— %	14 %
Other customers (1)	43 %	20 %	3 %	66 %	41 %	27 %	5 %	73 %
	62 %	29 %	9 %	100 %	50 %	39 %	11 %	100 %

	Nine Months Ended September 30, 2023				Nine Months Ended September 30, 2022			
	Floater	Jackups	Other	Total	Floater	Jackups	Other	Total
BP	1 %	5 %	6 %	12 %	5 %	3 %	6 %	14 %
Eni	5 %	6 %	— %	11 %	— %	6 %	— %	6 %
Equinor	1 %	— %	— %	1 %	4 %	6 %	— %	10 %
Other customers	46 %	26 %	4 %	76 %	33 %	33 %	4 %	70 %
	53 %	37 %	10 %	100 %	42 %	48 %	10 %	100 %

(1) Other customers includes customers that individually contributed to less than 10% of our total revenues.

Geographic Concentration - For purposes of our geographic disclosure, we attribute revenues to the geographic location where such revenues are earned. Consolidated revenues for locations that individually had 10% or more of revenue were as follows (in millions):

		Three Months Ended September 30, 2023				Three Months Ended September 30, 2022					
		Floater	Jackup	Other	Total	Floater	Jackup	Other	Total		
		Three Months Ended March 31, 2024								Three Months Ended March 31, 2024	
		Floater	Jackup	Other	Total	Floater	Jackup	Other	Total	Floater	Jackup
Brazil											
U.S.	U.S.										
Gulf of Mexico	Gulf of Mexico	\$ 65.3	\$ 8.5	\$ 26.2	\$ 100.0	\$ 62.8	\$ 6.7	\$ 25.7	\$ 95.2		
United Kingdom	United Kingdom	—	71.0	—	71.0	—	71.4	—	71.4		
Angola		62.8	—	—	62.8	23.2	—	—	23.2		
Australia	Australia	40.2	6.8	—	47.0	40.2	11.6	—	51.8		
Brazil		46.4	—	—	46.4	33.4	—	—	33.4		
Australia											
Other countries		28.6	79.6	19.7	127.9	42.1	106.2	13.9	162.2		
		\$ 243.3	\$ 165.9	\$ 45.9	\$ 455.1	\$ 201.7	\$ 195.9	\$ 39.6	\$ 437.2		
Other countries ⁽¹⁾											
Other countries ⁽¹⁾											
Other countries ⁽¹⁾											
		\$									

	Nine Months Ended September 30, 2023				Nine Months Ended September 30, 2022				
	Floater	Jackup	Other	Total	Floater	Jackup	Other	Total	
U.S. Gulf of Mexico	\$ 152.3	\$ 22.5	\$ 78.5	\$ 253.3	\$ 179.3	\$ 19.0	\$ 73.3	\$ 271.6	
United Kingdom	—	192.6	—	192.6	—	200.1	—	200.1	
Angola	160.1	—	—	160.1	52.3	—	—	52.3	
Australia	118.0	30.3	—	148.3	72.7	18.2	—	90.9	
Brazil	117.4	—	—	117.4	75.5	—	—	75.5	
Other countries	137.7	234.9	56.1	428.7	109.7	325.1	43.7	478.5	
	\$ 685.5	\$ 480.3	\$ 134.6	\$ 1,300.4	\$ 489.5	\$ 562.4	\$ 117.0	\$ 1,168.9	

⁽¹⁾ Other countries includes locations that individually contributed to less than 10% of our total revenues.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes thereto included in "Item 1. Financial Statements" and with our annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 1A of our annual report and elsewhere in this quarterly report. See "Forward-Looking Statements."

EXECUTIVE SUMMARY

Our Business

We are a leading provider of offshore contract drilling services to the international oil and gas industry with operations in almost every major offshore market across six continents. We own the world's largest offshore drilling rig fleet, including one of the newest ultra-deepwater fleets in the industry and a leading premium jackup fleet. We currently own 5153 rigs, including 1113 drillships, four dynamically positioned semisubmersible rigs, one moored semisubmersible rig, 35 jackup rigs and a 50% equity interest in ARO, our 50/50 unconsolidated joint venture with Saudi Aramco, which owns an additional seven eight rigs. We also have options to purchase two recently constructed drillships, which we plan to exercise on or before December 31, 2023.

Our Industry

Operating results in the offshore contract drilling industry are highly cyclical and are directly related to the demand for and the available supply of drilling rigs. Low demand and excess supply can independently affect day rates and utilization of drilling rigs. Therefore, adverse changes in either of these factors can result in adverse changes in our industry. While the cost of moving a rig may cause the balance of supply and demand to vary somewhat between regions, significant variations between most regions are generally of a short-term nature due to rig mobility.

In the first nine months of 2023, we have seen relatively less volatility in demand for offshore drilling. Demand for offshore drilling is impacted by fundamental supply and demand dynamics for crude oil. Since late 2022, Brent crude oil prices have been largely trading in a range between \$70 and \$90 per barrel. The price declined somewhat during the first quarter of 2023, following turmoil in the banking sector, which escalated fears of a global recession and declining oil demand. However, the price per barrel has since rebounded in part due to OPEC+ announcing a further production cut of approximately 1.2 million barrels per day effective from May 2023 through the end of the year. In early September, the Brent crude price climbed above \$90 per barrel, with OPEC+ members managing supply in an effort to keep the market in balance. The constructive oil price environment has led to an improvement in contracting and tendering activity and we believe is supportive of the current upcycle for the first time since November 2022, where it has largely remained, primarily due to Saudi Arabia and Russia announcing that they would extend additional voluntary production cuts through year-end and an escalation in geopolitical risk in the Middle East.

Despite the volatility in spot oil prices seen in recent years, our customers tend to be more focused on medium-term and long-term commodity prices when making investment decisions due to the longer lead times for offshore projects. These forward prices experienced far less volatility in 2022 and thus far in 2023 and have maintained levels which are highly constructive for offshore project demand.

Rig attrition in the industry over the last several years, decade, particularly for floaters, has resulted in a much smaller global fleet of rigs that is available to meet customer demands. In addition, demand for offshore drilling services continues to improve as evidenced by increasing global utilization and day rates for offshore drilling rigs. Consequently, our outlook for our offshore drilling business is positive.

Inflationary pressures remain elevated and have resulted in increased personnel costs as well as in the prices of goods and services required to operate our rigs or execute capital projects. We expect that our costs will continue to rise in the near term and although certain of our long-term contracts contain provisions for escalating costs, we cannot predict with certainty our ability to successfully claim recoveries of higher costs from our customers under these contractual stipulations. Despite the inflationary trends, and macroeconomic uncertainty, we continue to see recovery in demand for offshore drilling services continues to improve as evidenced by increasing global utilization and day rates for offshore drilling rigs.

Backlog

Our contract drilling backlog reflects commitments, represented by signed drilling contracts, and is calculated by multiplying the contracted operating day rate by the contract period. The contracted day rate excludes certain types of lump sum fees for rig mobilization, demobilization, contract preparation, as well as customer reimbursables and bonus opportunities. Our backlog excludes ARO's backlog, but includes backlog from our rigs leased to ARO at the contractual rates, which are subject to adjustment under the terms of the shareholder agreement governing the joint venture (the "Shareholder Agreement").

The ARO backlog presented below is 100% of their ARO's backlog and is inclusive of backlog on both ARO owned rigs and rigs leased from us. As an unconsolidated 50/50 joint venture, when ARO realizes revenue from its backlog, 50% of the earnings thereon would be reflected in our results in equity in earnings (losses) of ARO in our Condensed Consolidated Statement of Operations. The earnings from ARO backlog with respect to rigs leased from us will be net of, among other things, payments to us under bareboat charters for those rigs. See "Note 3 - Equity Method Investment in ARO" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information.

The following table summarizes our and ARO's contract backlog of business as of November 1, 2023, April 30, 2024, and February 21, 2023, February 15, 2024 (in millions):

	November 1, 2023	February 21, 2023	
	April 30, 2024	April 30, 2024	February 15, 2024
Floater	Floater		
(1)	(1)	\$ 1,986.0	\$ 1,376.9
Jackups	Jackups	921.6	742.3
Other	Other	250.5	344.0
Total	Total	\$ 3,158.1	\$ 2,463.2
ARO (4)	ARO (4)	\$ 2,290.7	\$ 1,731.8

(1) The increase in decrease for Floater is primarily due to revenues realized. This was partially offset by a three-year contract for VALARIS DS-8 offshore Brazil, a 12-well contract for VALARIS DS-7 offshore West Africa and a 250-day six-month contract extension for VALARIS DS-15 DS-9 offshore Angola and

a 60-day contract extension for VALARIS DS-17 offshore Brazil, which resulted in incremental aggregate backlog of approximately \$890.0 million \$70.0 million. These increases were partially offset by revenues realized.

- (2) The increase in for Jackups is primarily due to a 770-day contract awards and extensions award for VALARIS 107, VALARIS 72, VALARIS 118, VALARIS 92 and VALARIS 106, 144, which resulted in incremental aggregate backlog of approximately \$340.0 million \$144.0 million. These increases were This increase was partially offset by revenues realized.
- (3) Other includes the backlog for our managed rig services and the bareboat charter backlog for the jackup rigs leased to ARO to fulfill contracts between ARO and Saudi Aramco in addition to backlog for our managed rig services. Aramco. Substantially all the operating costs for jackups leased to ARO through the bareboat charter agreements will be borne by ARO.
- (4) The increase in ARO backlog Other is primarily due to an eight-year three-year contract extensions for each of the two newbuild our managed rigs, the first of which was delivered in October 2023 and the second is expected to be delivered in the first quarter of 2024. These contracts resulted in incremental aggregate backlog of approximately \$924.0 million \$245.0 million, which was partially offset by revenues realized.
- (4) The decrease in ARO backlog is due to revenues realized and a reduction of backlog of approximately \$18.0 million attributable to the VALARIS 143 contract, which is expected to be terminated effective in May 2024 based on a suspension notice received in April.

BUSINESS ENVIRONMENT

Floater

In recent years, the more constructive oil price environment has led to an improvement in contracting and tendering activity for floaters. The number of contracted benign environment floaters has increased to 120 127 at September 30, 2023 March 31, 2024 from a low of 101 in early 2021, contributing to a 13% increase in global utilization, from 73% to 86%, for the industry's active marketed fleet over the same period. This increase in activity is particularly evident for 6th and 7th generation drillships, such as those included in our floater fleet. Utilization for the global active marketed 6th and 7th generation drillship fleet is currently at 94% 90% and has on average, met or exceeded 90% for more than twelve months, since early 2023, resulting in a meaningful improvement in day rates for this class of assets.

In Since the beginning of 2022, we completed the reactivation of three drillships and one semisubmersible which have commenced long-term contracts. In 2023, we have completed the reactivation of another five previously stacked drillship, VALARIS DS-17, drillships and one stacked semisubmersible for a contract which commenced in the third quarter of 2023 for work offshore Brazil, attractive contracts, and we are currently reactivating another two of our stacked drillships, drillship, VALARIS DS-7, and DS-8, for a long-term contracts contract offshore West Africa and Brazil, respectively. expected to commence in mid-2024.

From a supply perspective, as of September 30, 2023 March 31, 2024, the number of benign environment floaters including stacked rigs declined by 43% 41% to 159 166 from a peak of 281 in late 2014, and we believe there are only ten competitive drillships remaining among 2014. Across the stacked drillship fleet including VALARIS DS-11. There are a further eight competitive and newbuild drillships remaining at South Korean shipyards, we believe there are only ten uncontracted drillships remaining that are likely reactivation candidates over the next few years, including VALARIS DS-11, VALARIS DS-13 and DS-14, for which, based on current market conditions, we expect to exercise our options to take delivery by the end of 2023. However, three of these eight rigs are either contracted or have been selected for future work and are expected to be contracted soon. VALARIS DS-14. We expect anticipate that continued floater demand growth will further reduce available drillship capacity. Also, given the expected high construction cost and lack of shipyard capacity, we do not believe that current market conditions are supportive of another floater newbuild cycle in construction for the foreseeable future.

Jackups

Contracting and tendering activity for jackups has begun to improve improved in recent years as a result of the more constructive oil price environment. Further, environment, and we have seen a notable corresponding increase in jackup activity since the beginning of 2022, primarily driven by demand from the Middle East. utilization. The number of contracted jackups has increased to 404 412 at September 30, 2023 March 31, 2024 from a low of 341 in early 2021, contributing to a 15% 16% increase in global utilization, from 78% to 93% 94%, for the industry's active marketed fleet over the same period, which has led to a meaningful increase in day rates for jackups.

In early 2024, Saudi Arabia announced that they plan to maintain maximum sustainable capacity at 12 million barrels per day rather than pursuing their previously stated aim of increasing capacity to 13 million barrels per day. Following this announcement, Aramco sent contract suspension notices to several offshore drillers to suspend its contracts, which included notice to ARO with respect only to its contract for VALARIS 143, one of our nine jackups leased to ARO. Since the announcement, certain offshore drillers, including ARO, have announced contract suspensions for a total of 22 rigs, which represents 5% of the marketed jackup fleet. We believe that approximately half of these rigs are likely to be competitive in other higher-specification, benign environment regions and expect there to be sufficient incremental demand in these regions to absorb them in an orderly manner.

As From a supply perspective, as of September 30, 2023 March 31, 2024, the number of jackups declined by 8% to 496 497 from a peak of 542 in early 2015. While the number of jackups has decreased less than floaters, on a relative basis, 33% 32% of the current jackup fleet is more than 30 years of age with limited useful lives remaining. Further, we believe that some of the jackups that are currently idle are not competitive, either due to their age or length of time

stacked. Expenditures required to ~~recertify~~ reactivate some of these rigs may prove cost prohibitive and drilling contractors may instead elect to scrap a portion of these ~~certain~~ rigs. Excluding ARO's newbuild program, there are only ~~18~~ ~~16~~ newbuild jackups remaining at shipyards, of which ~~13~~ ~~11~~ are at Chinese shipyards, many of which are expected to be used ~~for the local supply locally~~ in China.

RESULTS OF OPERATIONS

Management believes the comparison of the most recently completed quarter to the immediately preceding quarter provides more relevant information needed to understand and analyze the business. As such, as permitted under applicable SEC rules, we have elected to discuss any material changes in our results of operations by including a comparison of our most recently completed fiscal quarter ended ~~September 30, 2023~~ ~~March 31, 2024~~ (the "current quarter") to the immediately preceding fiscal quarter ended ~~June 30, 2023~~ ~~December 31, 2023~~ (the "preceding quarter"). We also continue to discuss any material changes in our results of operations for the ~~nine~~ three months ended ~~September 30, 2023~~ ~~March 31, 2024~~ compared to the corresponding period of the preceding fiscal year (the "prior year period" quarter"), as required under the applicable SEC rules.

Three Months Ended ~~September 30, 2023~~ ~~March 31, 2024~~ Compared to Three Months Ended ~~June 30, 2023~~ ~~December 31, 2023~~

The following table summarizes our Condensed Consolidated Results of Operations for the three months ended ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~June 30, 2023~~ ~~December 31, 2023~~ (in millions, except percentages):

	Three Months Ended		%	Change	%	Change				
	September 30, 2023	June 30, 2023								
Three Months Ended										
Three Months Ended										
Three Months Ended										
March 31, 2024										
Revenues	Revenues	\$ 455.1	\$ 415.2	\$ 39.9	10 %	\$ 525.0				
Operating expenses	Operating expenses					\$ 483.8				
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)	390.9	373.5	17.4	5 %	\$ 41.2				
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)					9				
Depreciation	Depreciation					\$ 9				
Depreciation	Depreciation					9				
Depreciation	Depreciation	25.8	24.5	1.3	5 %	26.8				
General and administrative	General and administrative	24.2	26.4	(2.2)	(8) %	26.5				
Total operating expenses	Total operating expenses	440.9	424.4	16.5	4 %	498.1				
Equity in earnings (losses) of ARO		2.4	(0.7)	3.1	(443) %	453.8				
Operating income (loss)	Operating income (loss)	16.6	(9.9)	26.5	(268) %	453.8				
						44.3				
						10				

Equity in earnings of ARO		2.4	8.3	(5.9)
Equity in earnings of ARO				
Operating income	Operating income	29.3	38.3	(9.0)
Other income, net	Other income, net	9.1	—	9.1
Provision for income taxes				NM
Net income (loss)	17.0	(27.3)	44.3	(162) %
Net income attributable to noncontrolling interests	(4.1)	(2.1)	(2.0)	95 %
Net income (loss) attributable to Valaris	\$ 12.9	\$ (29.4)	\$ 42.3	(144) %
Provision (benefit) for income taxes	Provision (benefit) for income taxes	12.9	(790.2)	803.1
Net income	Net income	25.5	828.5	(803.0)
Net loss attributable to noncontrolling interests	Net loss attributable to noncontrolling interests	—	6.7	(6.7)
Net income attributable to Valaris	Net income attributable to Valaris	\$25.5	\$835.2	\$ (809.7)

NM - Not meaningful

Revenue increased in the current quarter, compared to the preceding quarter, primarily due to **\$34.0 million** **\$30.2 million** of incremental revenue earned for VALARIS DS-17, VALARIS 249 DS-8, which completed its reactivation and VALARIS 121, which commenced a new contracts in the current quarter after not working contract late in the preceding quarter. Excluding these rigs, revenue increased \$5.9 quarter and a \$4.6 million increase from revenues earned from lease agreements with ARO. For the remaining fleet, there were net increases of \$8.2 million which was primarily due to \$19.8 million and \$3.0 million from higher average daily revenue earned, and customer reimbursable revenue, respectively, partially offset by a \$17.3 million net decrease in of \$4.8 million from fewer operating days primarily related to downtime for contract preparation and mobilization of rigs and unplanned downtime during the current quarter days.

Contract drilling expense increased in the current quarter, compared to the preceding quarter, primarily due to **\$13.3 a** **\$16.9 million** increase in repair costs associated with contract preparation, special periodic surveys for certain rigs and other scheduled repairs and maintenance. In addition, there were \$8.0 million of higher costs attributable related to rigs that were idle in the prior quarter and commenced new contracts during the current quarter and certain claims, \$7.3 million of incremental costs for VALARIS DS-8, a **\$6.9** **\$4.0 million** increase in rig VALARIS DS-7 reactivation costs and a \$2.8 million increase in reimbursable costs.

Other income, net, increased primarily due to a **\$29.2 million** loss recognized in the preceding quarter on the extinguishment of the Senior Secured First Lien Notes (the "First Lien Notes") and a **\$4.3 million** **\$12.3 million** increase in foreign currency gains. These increases were gains and a \$4.0 million decrease in interest expense, partially offset by a **\$27.3 million** pre-tax gain recognized **\$6.2 million** decrease in the preceding quarter for the sale of VALARIS 54. interest income.

Discrete income tax benefit for the current quarter was **\$2.0 million** and was preceding quarter were **\$6.6 million** and **\$2.5 million**, respectively and were primarily attributable to the resolution of prior period tax matters, partially offset by changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years. Discrete years, partially offset by the resolution of prior period tax matters. Excluding the aforementioned discrete tax items, income tax expense increased to \$19.5 million for the current quarter from \$787.7 million tax benefit for the preceding quarter, primarily due to a \$799.5 million deferred tax benefit recognized in the preceding quarter to reduce our valuation allowance on deferred tax assets.

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

The following table summarizes our Condensed Consolidated Results of Operations for the three months ended March 31, 2024 and 2023 (in millions, except percentages):

	Three Months Ended		Change	% Change
	March 31, 2024	March 31, 2023		

Revenues	\$ 525.0	\$ 430.1	\$ 94.9	22 %
Operating expenses				
Contract drilling (exclusive of depreciation)	444.8	377.2	67.6	18 %
Depreciation	26.8	23.3	3.5	15 %
General and administrative	26.5	24.4	2.1	9 %
Total operating expenses	498.1	424.9	73.2	17 %
Equity in earnings of ARO	2.4	3.3	(0.9)	(27)%
Operating income	29.3	8.5	20.8	245 %
Other income, net	9.1	12.5	(3.4)	(27)%
Provision (benefit) for income taxes	12.9	(27.6)	40.5	(147)%
Net income	25.5	48.6	(23.1)	(48)%
Net income attributable to noncontrolling interests	—	(1.9)	1.9	NM
Net income attributable to Valaris	\$ 25.5	\$ 46.7	\$ (21.2)	(45)%

NM - Not meaningful

Revenues increased in the current quarter, compared to the prior year quarter, primarily due to \$86.7 million of incremental revenue earned for VALARIS DS-17 and VALARIS DS-8, which both commenced contracts following reactivation in the second half of 2023. For the remaining fleet, there were increases of \$20.8 million and \$8.0 million from higher average daily revenue and customer reimbursable revenue, respectively, partially offset by a net decrease of \$21.9 million from fewer operating days.

Contract drilling expense increased in the current quarter, compared to the prior year quarter, primarily due to \$47.5 million of incremental costs incurred for VALARIS DS-17 and VALARIS DS-8. For the remaining fleet, personnel-related costs for rigs that operated in both comparative periods increased \$16.4 million, partially driven by wage increases in certain regions and incentive compensation costs, and there were also increases of \$8.2 million attributable to reimbursable expense, \$3.3 million of costs associated with integrated services, \$3.1 million related to costs for certain claims and \$2.2 million in reactivation costs. These increases were partially offset by a \$20.8 million decrease in costs for certain jackups that were idle or between contracts in the current quarter.

Depreciation expense increased primarily due to new assets placed in service for certain rigs that underwent reactivation projects and capital upgrades.

Other income, net, decreased primarily due to a \$6.6 million increase in interest expense and a \$2.0 million decrease in interest income, partially offset by a \$4.9 million increase in foreign currency gains.

Discrete income tax benefit for the current quarter was \$6.2 million \$6.6 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years, partially offset by the resolution of prior period tax matters. Discrete income tax benefit for the prior year quarter was \$43.8 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years. Excluding the aforementioned discrete tax items, income tax expense decreased to \$12.7 million for the current quarter from \$18.3 million for the preceding quarter, primarily due to a deferred tax benefit of \$6.2 million recognized in the current quarter from the reduction of valuation allowances on deferred tax assets for a change in estimated future taxable income in certain operating jurisdictions.

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

The following table summarizes our Condensed Consolidated Results of Operations for the nine months ended September 30, 2023 and 2022 (in millions, except percentages):

	Nine Months Ended					
	September 30, 2023		September 30, 2022		Change	
	\$		\$			
Revenues	\$ 1,300.4		\$ 1,168.9		\$ 131.5	11 %
Operating expenses						
Contract drilling (exclusive of depreciation)	1,141.6		1,029.8		111.8	11 %
Loss on impairment	—		34.5		(34.5)	(100)%
Depreciation	73.6		67.4		6.2	9 %
General and administrative	75.0		57.0		18.0	32 %
Total operating expenses	1,290.2		1,188.7		101.5	9 %
Equity in earnings of ARO	5.0		15.9		(10.9)	(69)%
Operating income (loss)	15.2		(3.9)		19.1	(490)%

Other income, net	30.7	187.9	(157.2)	(84)%
Provision for income taxes	7.6	33.3	(25.7)	(77)%
Net income	38.3	150.7	(112.4)	(75)%
Net income attributable to noncontrolling interests	(8.1)	(3.4)	(4.7)	138 %
Net income attributable to Valaris	\$ 30.2	\$ 147.3	\$ (117.1)	(79)%

Revenues increased primarily due to an increase in average daily revenue earned of \$114.1 million primarily due to certain rigs that commenced new contracts during the nine months ended September 30, 2023 at a higher day rate, \$68.2 million from an increase in operating days primarily attributable to rigs that have commenced contracts following reactivation, and \$12.1 million of higher revenues earned from lease agreements with ARO primarily from higher lease rates for certain rigs. These increases were partially offset by a \$51.0 million fee related to the termination of the VALARIS DS-11 contract recognized in the prior year period, quarter was \$19.5 million and a \$7.0 million decrease in customer reimbursable revenue.

Contract drilling expense increased primarily due to \$104.7 million attributable to rigs that have commenced contracts following reactivation, a \$31.2 million increase in repair costs for certain rigs, and a \$17.4 million increase in reactivation costs. These increases were partially offset by a \$28.5 million decrease in the costs for certain claims and a \$14.8 million decrease in operating costs for VALARIS 140 and VALARIS 141, which we started leasing to ARO at the end of the first quarter and the third quarter of 2022, respectively.

During the nine months ended September 30, 2022, we recorded non-cash losses on impairment totaling \$34.5 million, with respect to customer-specific capital upgrades for VALARIS DS-11 made pursuant to the terms of the drilling contract that was terminated during the second quarter of 2022. See "Note 5 - Property and Equipment" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information.

Depreciation expense increased primarily due to \$7.7 million attributable to new assets placed in service for certain rigs that underwent reactivation projects and capital upgrades.

General and administrative expenses increased primarily due to higher compensation related to our long-term incentive plans and higher professional fees.

Other income, net, decreased primarily due to a \$109.8 million decrease in the gain on the sale of assets, a \$29.2 million loss on the extinguishment of our First Lien Notes recognized in the second quarter of 2023, a \$21.8 million decrease in foreign currency gains, and a \$12.4 million increase in interest expense, partially offset by a \$24.2 million increase in interest income.

Discrete income tax benefit for the nine months ended September 30, 2023 was \$39.5 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and the resolution of other prior period tax matters. Discrete income tax benefit for the nine months ended September 30, 2022 was \$6.9 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and resolution of other prior period tax matters, partially offset by discrete tax expense attributable to income associated with a contract termination. Excluding the aforementioned discrete tax items, income tax expense for the nine months ended September 30, 2023 and 2022 was \$47.1 million and \$40.2 million \$16.2 million, respectively.

Rig Counts, Utilization and Average Daily Revenue

The following table summarizes the total and active offshore drilling rigs for Valaris and ARO as of the following dates:

	September 30, 2023	June 30, 2023	September 30, 2022
Total Fleet			
Floate	16	16	16
Jackups ⁽¹⁾	27	27	28
Other ⁽²⁾	8	8	8
Total Fleet - Valaris	51	51	52
ARO ⁽³⁾	7	7	7
Active Fleet⁽⁴⁾			
Floate ⁽⁵⁾	13	12	11
Jackups ⁽⁶⁾	20	20	22
Other ⁽²⁾	8	8	8
Active Fleet - Valaris	41	40	41
ARO ⁽³⁾	7	7	7

	March 31, 2024	December 31, 2023	March 31, 2023
Total Fleet			
Floater ⁽¹⁾	18	18	16
Jackups ⁽²⁾	26	27	28
Other ⁽³⁾	9	8	8
Total Fleet - Valaris	53	53	52
ARO ⁽⁴⁾	8	8	7
Active Fleet⁽⁵⁾			
Floater ⁽⁶⁾	13	13	12
Jackups ⁽²⁾	19	20	21
Other ⁽³⁾	9	8	8
Active Fleet - Valaris	41	41	41
ARO ⁽⁴⁾	8	8	7

⁽¹⁾ During the fourth quarter of 2023, we took delivery of VALARIS DS-13 and VALARIS DS-14.

⁽²⁾ During the second quarter of 2023, we sold VALARIS 54. During the first quarter of 2024, we leased VALARIS 108 to ARO.

⁽²⁾⁽³⁾ This represents the jackup rigs leased to ARO through bareboat charter agreements whereby substantially all operating costs are incurred by ARO. Rigs leased to ARO operate under long-term contracts with Saudi Aramco. During the first quarter of 2024, we leased VALARIS 108 to ARO.

⁽³⁾⁽⁴⁾ This represents the seven jackup rigs owned by ARO, which are operating under long-term contracts with Saudi Aramco. Aramco, including Kingdom 1, a jackup rig, which was delivered in the fourth quarter of 2023.

⁽⁴⁾⁽⁵⁾ Active fleet represents rigs that are not preservation stacked and includes rigs that are in the process of being reactivated.

⁽⁵⁾⁽⁶⁾ During the first and third quarter of 2023, we began reactivating VALARIS DS-8 for a three-year contract offshore Brazil and VALARIS DS-7 for a 12-well contract offshore West Africa, respectively.

⁽⁶⁾ During the first quarter of 2023, we preservation stacked VALARIS Viking after the rig completed its contract in the North Sea. During the second quarter of 2023, we sold VALARIS 54. Africa.

We provide management services in the U.S. Gulf of Mexico on two rigs owned by a third-party that are not included in the table above.

We are a party to contracts whereby we have the option to take delivery of VALARIS DS-13 and VALARIS DS-14, two recently constructed drillships that are not included in the table above.

Additionally, ARO has ordered two jackups a newbuild jackup, which are under construction in the Middle East that are and expected to be delivered in the second quarter of 2024. This rig is not included in the table above.

Operating results for our contract drilling services segment are largely dependent on two primary revenue metrics: utilization and day rates. The following table summarizes our and ARO's rig utilization and average daily revenue by reportable segment:

Three Months Ended			
Three Months Ended	Nine Months Ended		
Three Months Ended			
September 30, 2023	September 30, 2023	September 30, 2023	September 30, 2022
Three Months Ended			

		March 31, 2024				March 31, 2024			December 31, 2023		March 31, 2023	
Rig Utilization	Rig Utilization											
- Total	- Total											
Fleet⁽¹⁾	Fleet⁽¹⁾											
Floater	Floater	57 %	59 %	58 %	39 %	61 %	58 %	58 %	62 %	62 %	62 %	
Jackups	Jackups	58 %	55 %	58 %	65 %	Jackups	53 %	62 %				
Other (2)	Other (2)	100 %	100 %	100 %	100 %	Other (2)	100 %	100 %				
Total	Total											
Valaris	Valaris	65 %	65 %	66 %	64 %	Total Valaris	64 %	68 %				
ARO	ARO	93 %	91 %	92 %	92 %	ARO	92 %	95 %				
Rig Utilization	Rig Utilization											
- Active	- Active											
Fleet⁽¹⁾	Fleet⁽¹⁾											
Rig Utilization - Active Fleet⁽¹⁾	Rig Utilization - Active Fleet⁽¹⁾											
Floater	Floater	70 %	78 %	76 %	60 %	84 %	72 %	82 %				
Jackups	Jackups	78 %	74 %	78 %	86 %	Jackups	71 %	83 %				
Other (2)	Other (2)	100 %	100 %	100 %	100 %	Other (2)	100 %	100 %				
Total	Total											
Valaris	Valaris	81 %	82 %	83 %	83 %	Total Valaris	82 %	84 %				
ARO	ARO	93 %	91 %	92 %	92 %	ARO	92 %	95 %				
Average Daily Revenue⁽³⁾	Average Daily Revenue⁽³⁾											
Floater	Floater	\$ 278,821	\$ 252,417	\$ 258,780	\$ 229,381							
Jackups	Jackups	108,152	99,112	103,884	100,050							
Other (2)	Other (2)	43,519	41,072	42,705	39,332							
Total	Total											
Valaris	Valaris	\$ 134,124	\$ 124,184	\$ 127,272	\$ 106,610							
ARO	ARO	\$ 94,712	\$ 94,624	\$ 95,837	\$ 93,834							

⁽¹⁾ Rig utilization for the total fleet and active fleet are derived by dividing the operating days by the number of days in the period for the total fleet and active fleet, respectively. Active fleet represents rigs that are not preservation stacked and includes rigs that are in the process of being reactivated. Operating days equals the total number of days that rigs have earned and recognized day rate revenue, including days associated with early contract terminations, compensated downtime and mobilizations and excluding suspension periods. When revenue is deferred and amortized over a future period, for example, when we receive fees while mobilizing to commence a new contract or while being upgraded in a shipyard, the related days are excluded from operating days.

(2) Includes our two management services contracts and our rigs leased to ARO under bareboat charter contracts.

(3) Average daily revenue is derived by dividing contract drilling revenues, adjusted to exclude certain types of non-recurring reimbursable revenues, revenues earned during suspension periods and revenues attributable to amortization of drilling contract intangibles, by the aggregate number of operating days. Beginning with the **current third quarter of 2023**, we began presenting average daily revenue instead of the previously reported average day rate metric, which further excluded lump-sum revenues and amortization thereof. Average daily revenue is a more comprehensive measurement of our revenue-earning performance and more closely aligns with the calculation methodology used by our closest offshore drilling peers. **Prior periods were The prior year quarter has been** adjusted to conform with the current period presentation.

Operating Income by Segment

Our business consists of four operating segments: (1) Floaters, which includes our drillships and semisubmersible rigs, (2) Jackups, (3) ARO and (4) Other, which consists of management services on rigs owned by third parties and the activities associated with our arrangements with ARO under the bareboat charter arrangements (the "Lease Agreements"). Floaters, Jackups and ARO are also reportable segments.

Our onshore support costs included within Contract drilling expenses are not allocated to our operating segments for purposes of measuring segment operating income (loss) and as such, those costs are included in "Reconciling Items." Further, general and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income (loss) and are included in "Reconciling Items."

The Because ARO is a 50/50 unconsolidated joint venture, its full operating results included below for ARO are not included within our consolidated results and thus are deducted under "Reconciling Items" and replaced with our equity in earnings (losses) of ARO. See "Note 3- Equity Method Investment in ARO" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information.

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

Segment information for the **three months ended September 30, 2023 current quarter, preceding quarter and June 30, 2023 prior year quarter** is as follows (in millions):

		Reconciling Consolidated										
		Floaters	Jackups	ARO	Other	Items	Total	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues												
Revenues	Revenues	\$ 243.3	\$ 165.9	\$ 121.5	\$ 45.9	\$ (121.5)	\$ 455.1					
Operating expenses	Operating expenses											
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)	215.2	121.7	92.0	18.8	(56.8)	390.9					
Contract drilling (exclusive of depreciation)	Contract drilling (exclusive of depreciation)											
Depreciation	Depreciation	14.2	10.2	15.8	1.3	(15.7)	25.8					
General and administrative	General and administrative	—	—	5.6	—	18.6	24.2					
Equity in earnings of ARO	Equity in earnings of ARO	—	—	—	—	2.4	2.4					
Equity in earnings of ARO	Equity in earnings of ARO											

Operating income	Operating income	\$ 13.9	\$ 34.0	\$ 8.1	\$ 25.8	\$ (65.2)	\$ 16.6
------------------	------------------	---------	---------	--------	---------	-----------	---------

Three Months Ended **June 30, 2023** December 31, 2023

		Reconciling Consolidated					
		Floater	Jackups	ARO	Other	Items	Total
		Floater		Floater		Floater	
Revenues		Revenues	\$ 227.4	\$ 144.6	\$ 117.8	\$ 43.2	\$ (117.8) \$ 415.2
Operating expenses		Operating expenses					
Contract drilling (exclusive of depreciation)		Contract drilling (exclusive of depreciation)	196.2	123.5	95.0	18.2	(59.4) 373.5
Contract drilling (exclusive of depreciation)							
Contract drilling (exclusive of depreciation)							
Depreciation							
Depreciation		Depreciation	13.6	9.6	15.6	1.2	(15.5) 24.5
General and administrative		General and administrative	—	—	5.7	—	20.7 26.4
Equity in losses of ARO		—	—	—	—	(0.7)	(0.7)
Equity in earnings of ARO							
Equity in earnings of ARO							
Equity in earnings of ARO							
Operating income	Operating income	\$ 17.6	\$ 11.5	\$ 1.5	\$ 23.8	\$ (64.3)	\$ (9.9)

Three Months Ended March 31, 2023

		Floater	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues		\$ 214.8	\$ 169.8	\$ 123.6	\$ 45.5	\$ (123.6)	\$ 430.1
Operating expenses							
Contract drilling (exclusive of depreciation)		174.6	148.9	90.9	20.2	(57.4)	377.2
Depreciation		13.0	9.0	15.0	1.3	(15.0)	23.3
General and administrative		—	—	4.6	—	19.8	24.4
Equity in earnings of ARO		—	—	—	—	3.3	3.3
Operating income		\$ 27.2	\$ 11.9	\$ 13.1	\$ 24.0	\$ (67.7)	\$ 8.5

Three Months Ended March 31, 2024 Compared to Three Months Ended December 31, 2023

Floater

Floater revenue increased **\$15.9** **\$61.2** million, or 23%, for the current quarter as compared to the preceding quarter, primarily due to **\$13.1** million from **\$30.2** million of revenue earned by VALARIS DS-17, DS-8, which commenced a new contract in Brazil late December 2023 after its reactivation and a net increase in the current quarter following reactivation. Revenue operating days and higher average daily revenue of \$28.2 million and \$4.6 million, respectively, for the remaining floater fleet increased due to \$14.8 million from higher average daily revenue earned by certain rigs, partially offset by an \$11.3 million decrease in operating days, primarily due to unplanned downtime for certain rigs and the mobilization of VALARIS DPS-5 to a new contract in the current quarter fleet.

Floater contract drilling expense increased \$19.0 million, or 12%, for the current quarter as compared to the preceding quarter, primarily due to an \$16.6 million incremental costs of \$7.3 million for VALARIS DS-8. For the remaining floater fleet, there was a \$6.6 million increase in rig costs for scheduled repairs and maintenance, a \$6.6 million increase for certain rigs operating that had been mobilizing or idle between contracts in the preceding quarter, a \$4.0 million increase in VALARIS DS-7 reactivation costs and a \$3.4 million increase in costs for VALARIS DS-7, which commenced a reactivation project in the current quarter in preparation of a new contract in West Africa, certain claims.

Jackups

Jackup revenues increased \$21.3 million, or 15%, for the current quarter as compared to the preceding quarter, primarily due to \$20.9 million a \$32.7 million decrease resulting from VALARIS 249 and VALARIS 121, which commenced new lower operating days due to certain rigs that were mobilizing or idle between contracts during the current quarter. This decrease was partially offset by higher customer reimbursable revenue of \$3.4 million.

Jackup contract drilling expense increased \$10.6 million, or 9%, for the current quarter as compared to the preceding quarter, primarily due to a \$8.2 million increase in repair costs associated with contract preparation and special periodic surveys for certain rigs, a \$4.7 million increase in costs for certain claims and a \$3.3 million increase in reimbursable cost. These increases were partially offset by a \$5.8 million net decrease in costs due to certain rigs that were mobilizing or idle between contracts in the preceding current quarter.

ARO

The operating revenues of ARO reflect revenues earned under drilling contracts with Saudi Aramco for both the ARO-owned jackup rigs and the rigs leased from us. Contract drilling expenses are inclusive of the bareboat charter fees for the rigs leased from us. See "Note 3 - Equity Method Investment in ARO" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on ARO.

ARO revenue increased \$3.7 million, or 3%, for the current quarter as compared to the preceding quarter, primarily due to \$3.5 million of higher revenue from Kingdom 1, which commenced operations in November 2023, and VALARIS 108, which ARO started leasing from us in March 2024. These increases were partially offset by \$2.1 million of lower revenue for certain rigs, which were undergoing maintenance projects during the preceding current quarter.

ARO contract drilling expense decreased \$3.0 million, or 12%, for the current quarter as compared to the preceding quarter, primarily due to a \$5.0 million decrease in repair and maintenance cost in the current quarter, partially offset by a \$2.3 million increase in bareboat charter lease expense, inclusive of certain adjustments, and a \$2.4 million increase in repair costs for certain rigs.

Other

Other revenue increased \$2.7 million, or 17%, for the current quarter as compared to the preceding quarter, primarily due to \$2.3 million of higher revenues earned from lease agreements with ARO.

Nine Months Ended September 30, 2023 Compared to ARO, an increase of \$1.4 million from higher average daily revenues earned by our managed rigs in relation to Nine Months Ended September 30, 2022

Segment information for contract extensions executed during the nine months ended September 30, 2023 current quarter at higher rates and 2022 is as follows (in millions):

Nine Months Ended September 30, 2023

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 685.5	\$ 480.3	\$ 362.9	\$ 134.6	\$ (362.9)	\$ 1,300.4
Operating expenses						
Contract drilling (exclusive of depreciation)	586.0	394.1	277.9	57.2	(173.6)	1,141.6
Depreciation	40.8	28.8	46.4	3.8	(46.2)	73.6
General and administrative	—	—	15.9	—	59.1	75.0
Equity in earnings of ARO	—	—	—	—	5.0	5.0
Operating income	\$ 58.7	\$ 57.4	\$ 22.7	\$ 73.6	\$ (197.2)	\$ 15.2

Nine Months Ended September 30, 2022 a \$1.2 million increase in customer reimbursable revenue.

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 489.5	\$ 562.4	\$ 339.1	\$ 117.0	\$ (339.1)	\$ 1,168.9

Operating expenses						
Contract drilling (exclusive of depreciation)	473.4	409.4	256.3	58.0	(167.3)	1,029.8
Loss on impairment	34.5	—	—	—	—	34.5
Depreciation	37.1	26.5	47.3	3.4	(46.9)	67.4
General and administrative	—	—	13.1	—	43.9	57.0
Equity in earnings of ARO	—	—	—	—	15.9	15.9
Operating income (loss)	\$ (55.5)	\$ 126.5	\$ 22.4	\$ 55.6	\$ (152.9)	\$ (3.9)

Other contract drilling expense increased \$4.2 million, or 23%, for the current quarter as compared to the preceding quarter, primarily due to \$2.1 million increase in repair and maintenance costs related to special periodic surveys for certain rigs and \$1.2 million in reimbursable costs.

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Floater

Floater revenue increased \$196.0 million \$109.6 million, or 51%, for the nine months ended September 30, 2023 current quarter compared to the prior year period, quarter, primarily due to \$204.2 million \$86.7 million from increased operating days primarily attributable to rigs that have VALARIS DS-17 and VALARIS DS-8, which commenced new contracts following reactivation or returned to work upon completion in the second half of special periodic surveys 2023. For the remaining floater fleet, there was a net increase of \$22.5 million and \$58.7 million \$4.0 million from higher average daily revenues and customer reimbursable revenue, earned primarily due to VALARIS DS-12 and VALARIS DPS-5 working under higher day rate contracts in respectively, partially offset by a net decrease of \$3.6 million from fewer operating days.

Floater contract drilling expense increased \$78.8 million, or 45%, for the current period as quarter compared to the prior year period. These quarter, primarily due to \$47.5 million of incremental cost incurred for VALARIS DS-17 and VALARIS DS-8. For the remaining floater fleet, personnel-related costs increased by \$9.7 million, partially driven by wage increases were partially offset in certain regions and incentive compensation costs. In addition, reimbursable expense, repair and maintenance costs, costs related to integrated services and reactivation expense increased by \$51.0 million of revenue recognized in the prior year period attributable to a termination fee for the VALARIS DS-11 contract \$4.1 million, \$3.5 million, \$3.3 million and an \$11.7 million decrease from customer reimbursable revenue. \$2.2 million, respectively.

Floater contract drilling expense increased \$112.6 million Jackups

Jackup revenues decreased \$17.5 million, or 10%, for the nine months ended September 30, 2023 current quarter compared to the prior year period, quarter, primarily due to \$129.9 million attributable to rigs that have returned to work upon completion a decrease of reactivation projects and an \$18.4 million increase in reactivation costs. These increases were partially offset by a \$21.3 million decrease in the costs for certain claims and an \$11.8 million decrease in reimbursable costs.

During the prior year period, we recorded non-cash losses on impairment totaling \$34.5 million, with respect to customer-specific capital upgrades for VALARIS DS-11 made pursuant to the terms of the drilling contract that was terminated during the second quarter of 2022.

Floater depreciation expense increased \$3.7 million for the nine months ended September 30, 2023 compared to the prior year period, primarily due to new assets placed in service for certain rigs that underwent reactivation projects and capital upgrades.

Jackups

Jackup revenues decreased \$82.1 million for the nine months ended September 30, 2023 compared to the prior year period, primarily due to \$136.0 million \$18.5 million resulting from decreased lower operating days primarily due to rigs that completed contracts in the North Sea during the first half of 2023, certain rigs that were mobilizing or are idle between preparing for contracts in the current period, quarter and the sale of VALARIS 54, which operated in the prior year period, quarter, and \$3.9 million lower average daily revenue for certain rigs. These decreases were partially offset by a \$52.2 million \$3.9 million increase due to higher average daily revenue earned in reimbursable revenues.

Jackup contract drilling expense decreased \$15.3 million \$15.0 million, or 10%, for the nine months ended September 30, 2023 current quarter compared to the prior year period, quarter, primarily due to \$33.1 million \$20.8 million of lower costs for rigs that were idle or between contracts in the current period, quarter and a \$14.8 million \$5.1 million decrease in operating repair costs for VALARIS 140 and VALARIS 141, which we started leasing to ARO at the end of the first quarter and the third quarter of 2022, respectively. certain rigs. These decreases were partially offset by a \$30.5 \$5.4 million increase in repair personnel-related costs related to rigs that were operating in the current period primarily associated with maintenance performed during special period surveys. both comparative periods, partially driven by wage increases in certain regions and incentive compensation costs, and a \$4.0 million increase in reimbursable costs.

ARO

ARO revenue increased \$23.8 million \$14.7 million, or 12%, for the nine months ended September 30, 2023 current quarter compared to the prior year period, quarter, primarily due to \$21.6 a \$13.9 million increase from VALARIS 140 Kingdom 1, which commenced operations in November 2023, and VALARIS 141, 108, which ARO started leasing from us at in March 2024.

ARO contract drilling expense increased \$7.4 million or 8% for the end current quarter compared to the prior year quarter, primarily due to a \$4.5 million increase in operating costs for Kingdom 1 and VALARIS 108, and a \$1.8 million increase in repair and maintenance costs for certain rigs.

ARO depreciation expense increased \$4.0 million, or 27%, for the current quarter compared to the prior year quarter, primarily due to the addition of Kingdom 1 to the first active fleet.

Other

Other revenue increased \$2.8 million, or 6%, for the current quarter and compared to the third prior year quarter, of 2022, respectively, and \$17.9 primarily due to \$2.2 million from higher average daily revenue revenues earned by certain rigs. These increases were partially offset by a \$9.0 million decrease due our managed rigs in relation to VALARIS 36 which operated in the prior year period until the rig was sold in May 2022 and \$8.1 million for certain rigs undergoing maintenance projects in contract extensions executed during the current period.

ARO contract drilling expense increased \$21.6 million for the nine months ended September 30, 2023 compared to the prior year period, primarily due to \$9.0 million from quarter at higher personnel cost, \$8.6 million of incremental operating costs primarily related to VALARIS 140 and VALARIS 141, and a \$6.3 million increase in repair and maintenance.

Other

Other revenue increased \$17.6 million for the nine months ended September 30, 2023 compared to the prior year period, primarily due to \$12.1 million of higher revenues earned from lease agreements with ARO from higher average day rates on certain rigs, \$3.2 million from higher day rates on certain rigs and \$2.3 million increase in customer reimbursable revenues.

rates.

Other Income (Expense)

The following table summarizes other income (expense) (in millions):

	Three Months Ended		Nine Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2023	September 30, 2022	
	Three Months Ended				
Three Months Ended		Three Months Ended		Three Months Ended	
March 31, 2024		March 31, 2024		December 31, 2023	March 31, 2023
Interest income	Interest income	\$ 26.6	\$ 24.6	\$ 74.2	\$ 50.0
Interest expense	Interest expense	(19.4)	(16.7)	(47.2)	(34.8)
Net foreign currency exchange gains (losses)	Net foreign currency exchange gains (losses)	3.6	(0.7)	3.4	25.2
Loss on debt extinguishment		—	(29.2)	(29.2)	—
Net gain on sale of property		—	27.8	27.9	137.7

Net periodic pension and retiree medical income	0.1	0.1	0.3	12.1
Net foreign currency exchange gains (losses)				
Net foreign currency exchange gains (losses)				
Other, net	0.2	1.2	1.3	(2.3)
	\$ 11.1	\$ 7.1	\$ 30.7	\$ 187.9
Other, net				
Other, net				

Three Months Ended September 30, 2023 March 31, 2024 Compared to Three Months Ended June 30, 2023 December 31, 2023

Interest income decreased \$6.2 million, or 23%, for the current quarter compared to the preceding quarter, we recognized a loss of \$29.2 million on the extinguishment of the First Lien Notes and a \$27.3 million gain on the sale of property from the sale of VALARIS 54.

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

Interest income increased by \$24.2 million for the nine months ended September 30, 2023 compared to the prior year period, primarily due to an increase a decrease of \$26.8 \$5.3 million of interest income on cash equivalents due to a higher lower average balance during the current period and a \$14.2 million increase on interest income earned on our Notes Receivable from ARO attributable to higher interest rates in 2023, partially offset by non-cash interest income of \$14.8 million recognized in the prior year for the discount attributable to the partial principal repayment on our Notes Receivable from ARO in September 2022 quarter.

Interest expense increased by \$12.4 million decreased \$4.0 million, or 18%, for the nine months ended September 30, 2023 current quarter compared to the prior year period, preceding quarter, primarily due to an a \$3.7 million increase in capitalized interest expense from a higher principal debt balance due to VALARIS DS-13 and VALARIS DS-14, which were delivered in the preceding quarter.

Net foreign currency exchange gains of \$3.4 million increased \$12.3 million for the nine months ended September 30, 2023 current quarter compared to the preceding quarter's losses, primarily included gains of \$3.1 million, \$2.2 million and \$0.9 million related to Nigerian naira, driven by favorable exchange rate movements in euros, Norwegian kroner, Brazilian reals and euros, respectively, British pounds.

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Interest income decreased \$2.0 million, or 9%, for the current quarter compared to the prior year quarter, primarily due to a decrease of \$1.6 million in interest income on cash equivalents due to a lower average balance in the current quarter.

Interest expense increased \$6.6 million, or 59%, for the current quarter compared to the prior year quarter, primarily due to a \$13.4 million increase in interest expense due to a higher principal debt balance. This increase was partially offset by losses of \$1.6 million each, from Brazilian reals a \$6.8 million increase in capitalized interest primarily due to VALARIS DS-13 and Angolan kwanza, VALARIS DS-14, which were delivered in the preceding quarter, and certain rigs that underwent reactivation projects and capital upgrades.

Net foreign currency exchange gains of \$25.2 million increased \$4.9 million for the nine months ended September 30, 2022, primarily included gains of \$14.4 million, \$3.9 million and \$3.6 million related to euros, British pounds and Norwegian kroner, respectively.

We recognized a \$29.2 million loss from the extinguishment of the First Lien Notes for the nine months ended September 30, 2023.

Net gains on the sale of property decreased by \$109.8 million for the nine months ended September 30, 2023 current quarter compared to the prior year period, quarter, primarily due to \$135.5 million of gains recognized driven by favorable exchange rate movements in the prior year period for the sales of VALARIS 113, VALARIS 114 euros and VALARIS 36 and additional proceeds received for the sale of a rig in a prior year as a result of post-sale conditions of that sale agreement. This decrease was partially offset by \$27.3 million of pre-tax gains recognized during the nine months ended September 30, 2023 for the sale of the VALARIS 54.

Net periodic pension and retiree medical income decreased by \$11.8 million for the nine months ended September 30, 2023 compared to the prior year period, primarily due to higher interest cost attributed to the increase in discount rate. Nigerian naira.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We expect to fund our short-term liquidity needs, including contractual obligations and anticipated capital expenditures, as well as working capital requirements, from cash and cash equivalents and cash flows from operations and borrowings operations. Additionally, we have liquidity available under the Credit Agreement (as defined below) our senior secured revolving credit agreement (the "Credit Agreement"). We expect to fund our long-term liquidity needs, including contractual obligations and anticipated capital expenditures from cash and cash equivalents, cash flows from operations, as well as cash to be received from maturity of our Notes Receivable from ARO and from the distribution of earnings from ARO. We may rely on the issuance of debt and/or equity securities in the future to supplement our liquidity needs. However, the Indenture, dated as of April 19, 2023 (the "Indenture"), and the Credit Agreement contain covenants that limit our ability to incur additional indebtedness.

Our cash and cash equivalents as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were \$1.0 billion \$494.1 million and \$724.1 million \$620.5 million, respectively. We have no debt principal payments due until 2030 and had \$375.0 million \$375.0 million available for borrowings, borrowing, including up to \$150.0 million \$150.0 million for the issuance of letters of credit, under the Credit Agreement as of November 2, 2023 April 26, 2024. See below and "[Note 8](#) - Debt" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on the Credit Agreement and the 8.375% Second Lien Notes due 2030 (the "Second Lien Notes").

Financing

[First](#) Second Lien Notes

On April 3, 2023, we issued a notice of conditional redemption to the holders of our Senior Secured First Lien Notes due 2028 (the "First Lien Notes") at a redemption price equal to 104.0% of the principal amount of the First Lien Notes, plus accrued and unpaid interest to, but not including, the redemption date (the "Redemption Price"). On April 19, 2023, in connection with the issuance of our Second Lien Notes as discussed below, we discharged our obligations under the indenture that governed the First Lien Notes and deposited the Redemption Price with Wilmington Savings Fund Society, as trustee under such indenture. The First Lien Notes were redeemed on May 3, 2023 for an aggregate redemption price of approximately \$571.8 million (excluding accrued and unpaid interest). See "[Note 8](#)-Debt" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on the First Lien Notes.

Second Lien Notes

On April 19, 2023 August 21, 2023, the Company and Valaris Finance Company LLC ("Valaris Finance," together, the "Issuers") issued and sold \$700.0 million and \$400.0 million in aggregate principal amount of Secured Second Lien Notes, (the "Initial Second" respectively (collectively referred to as the "Second Lien Notes") in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "Securities Act" Notes"). The Initial Second Lien Notes were issued at par for net proceeds of \$681.4 million, after deducting the initial purchasers' discount and offering expenses. A portion of the proceeds were used to fund the redemption of all of the outstanding First Lien Notes as discussed above.

Additionally, on August 21, 2023, the Issuers issued \$400.0 million aggregate principal amount of additional Second Lien Notes (the "Additional Notes") in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act. The Additional Notes were issued at 100.75% of par, plus accrued interest from April 19, 2023, for net proceeds of approximately \$396.9 million after deducting the initial purchasers' discount and estimated offering expenses, and excluding accrued interest received of \$11.4 million. We intend to use a portion of the proceeds to finance the purchase of VALARIS DS-13 and VALARIS DS-14 as described in the capital expenditures discussion below.

The Initial Second Lien Notes and the Additional Notes were issued under the Indenture and form a single series. The Second Lien Notes mature on April 30, 2030 and bear an interest rate of 8.375% per annum. See "[Note 8](#) - Debt" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on the Second Lien Notes.

Senior Secured Revolving Credit Agreement

On April 3, 2023, we the Company entered into a senior secured revolving credit agreement (the "Credit Agreement"). The the Credit Agreement, which provides for commitments permitting borrowings of up to \$375.0 million (which may be increased, subject to the satisfaction of certain conditions and the agreement of lenders to provide such additional commitments and the satisfaction of certain conditions, by an additional \$200.0 million pursuant to the terms of the Credit Agreement) and includes a \$150.0 million sublimit for the issuance of letters of credit. Valaris Finance and certain other of our subsidiaries (together with Valaris Finance, the "Guarantors") guarantee our obligations under the Credit Agreement, and the lenders have a first priority lien on the assets securing the Credit Agreement. The commitments under the Credit Agreement became available to be borrowed on April 19, 2023. See "[Note 8](#) - Debt" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on the Credit Agreement.

Cash Flows and Capital Expenditures

Absent periods where we have significant financing or investing transactions or activities, such as debt or equity issuances, debt repayments, business combinations or asset sales, our primary sources and uses of cash are driven by cash generated from or used in operations and capital expenditures. Our net cash provided by or used in operating activities and capital expenditures were as follows (in millions):

	Nine Months Ended September 30,			
	2023	2022		
Net cash provided by (used in) operating activities	\$ 170.8	\$ (27.7)		
	Three Months Ended March 31,		Three Months Ended March 31,	
	2024	2024	2023	
Net cash provided by operating activities				
Capital expenditures	Capital expenditures \$(233.1)	Capital expenditures \$(153.1)		
Capital expenditures				
Capital expenditures				

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, we generated **\$170.8 million** **\$26.3 million** of cash flow from operating activities related primarily due to **higher margins**, operating income for the quarter of **\$29.3 million** and other changes in working capital. Our primary uses of cash were **\$151.3 million** for maintenance and upgrades of our drilling rigs, including reactivation costs and costs to mobilize the recently delivered VALARIS DS-13 and DS-14 to their stacking location.

During the three months ended March 31, 2023, we generated **\$151.7 million** of cash flow from operating activities primarily due to the collection of **\$45.9 million** for certain tax receivables and other changes in working capital. Our primary uses of cash were **\$233.1 million** **\$56.3 million** for the enhancement maintenance and other improvements upgrades of our drilling rigs, including reactivations.

During the nine months ended September 30, 2022, our uses of cash in operating activities of **\$27.7 million** related primarily to the reactivation of drilling rigs for new contracts as well as the payment of certain taxes.

We have construction agreements, as amended, with a shipyard that provide for, among other things, an option construct whereby we have the right, but not the obligation, to take delivery on or before December 31, 2023 of either or both VALARIS DS-13 and VALARIS DS-14. Under the amended agreements, the purchase prices for the rigs are estimated to be **\$119.1 million** for VALARIS DS-13 and **\$218.3 million** for VALARIS DS-14, assuming a December 31, 2023 delivery date. If we elect not to purchase the rigs, we have no further obligations to the shipyard. Based on current market conditions, we expect to exercise our options to purchase and take delivery of the rigs by the end of 2023 and intend to fund the purchase prices with cash on hand.

We continue to take a disciplined approach to reactivations with of our stacked rigs, only returning reactivating them to the active fleet for opportunities that provide meaningful returns. Most Generally, most of the reactivation cost will be operating expenses, recognized in the income statement, related to de-preservation activities, including reinstalling key pieces of equipment and crew costs. Capital expenditures during reactivations include rig modifications, equipment overhauls and any customer required capital upgrades. Reactivation costs incurred for the recently delivered VALARIS DS-13 and VALARIS DS-14 would be capitalized as such activities would be required to prepare the rigs for their intended use. We would generally expect to be compensated for any customer-specific enhancements.

The costs of future reactivations are expected to may increase relative to our initial reactivation projects with due to rising costs of labor and materials, the depletion of spares from our initial reactivation projects and as the rigs we reactivate have been preservation stacked for longer periods of time. Future reactivations could be subject to further increases in the cost of labor and materials and could take longer due to increased lead times for parts and supplies.

Based on our current projections, we expect capital expenditures during **2023** **2024** to be approximate **\$420.0 million** to **\$460.0 million**, primarily relating to maintenance and upgrade projects, including rig reactivation and associated contract-specific capital expenditures. During 2024, we expect to receive upfront payments from our customers of approximately **\$340** **\$55.0 million** exclusive of costs related to exercise our options to take delivery of VALARIS DS-13 and VALARIS DS-14. Exercising our options to take delivery of VALARIS DS-13 for **\$119.1 million** and VALARIS DS-14 for **\$218.3 million** assuming a December 31,

2023 delivery date, will increase our projected capital expenditures by the respective purchase prices. these projects. Depending on market conditions, contracting activity and future opportunities, we may reactivate additional rigs or make additional capital expenditures to upgrade rigs for customer requirements and construct or acquire additional rigs.

We review from time to time possible acquisition opportunities relating to our business, which may include the acquisition of rigs or other businesses. The timing, size or success of any acquisition efforts and the associated potential capital commitments are unpredictable and uncertain. We may seek to fund all or part of any such efforts with cash on hand and proceeds from debt and/or equity issuances and may issue equity directly to the sellers. Our ability to obtain capital for additional projects to implement our growth strategy over the longer term will depend on our future operating performance, restrictions to incur additional debt in the Indenture and the Credit Agreement, financial condition and, more broadly, on the availability of equity and debt financing. Capital availability will be affected by prevailing conditions in our industry, the global economy, the global financial markets and other factors, many of which are beyond our control. In addition, any additional debt service requirements we take on could be based on higher interest rates and shorter maturities and could impose a significant burden on our results of operations and financial condition, and the issuance of additional equity securities could result in significant dilution to shareholders.

Capital Resources

Investment in ARO and Notes Receivable from ARO

We consider our investment in ARO to be a significant component of our investment portfolio and an integral part of our long-term capital resources. We expect to receive cash from ARO in the future both from the maturity of our Notes Receivable from ARO and from the distribution of earnings from ARO.

The Notes Receivable from ARO, which are governed by the laws of Saudi Arabia, mature during 2027 and 2028. In the event that ARO is unable to repay the Notes Receivable from ARO when they become due, we would require the prior consent of our joint venture partner to enforce ARO's payment obligations.

The following table summarizes the maturity schedule of our Notes Receivable from ARO as of September 30, 2023 March 31, 2024 (in millions):

Maturity Date	Principal Amount
October 2027	\$ 225.0
October 2028	177.7
Total	\$ 402.7

The distribution of earnings to the joint-venture partners is at the discretion of the ARO board of managers, consisting of 50/50 membership of managers appointed by Saudi Aramco and managers appointed by us, with approval required by both shareholders. The timing and amount of any cash distributions to the joint venture partners cannot be predicted with certainty and will be influenced by various factors, including the liquidity position and long-term capital requirements of ARO. ARO has not made a cash distribution of earnings to its partners since its formation.

See "[Note 3](#) - Equity Method Investment in ARO" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on our investment in ARO and Notes Receivable from ARO.

Share Repurchase Program

In 2022, our board of directors has authorized a share repurchase program under which we may purchase up to \$100.0 million \$600.0 million of our outstanding Common Shares. In April 2023, shares. As of March 31, 2024, we had approximately \$400.0 million available for share repurchases pursuant to the board of directors authorized an increase of this amount program. See "[Note 9](#) - Shareholders' Equity" to \$300.0 million. The our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on our share repurchase program does not have a fixed expiration, may be modified, suspended or discontinued at any time and is subject to compliance with applicable covenants and restrictions under our financing agreements. During the three months ended September 30, 2023, we repurchased 1.2 million shares at an aggregate cost of \$85.0 million at an average price of \$73.30. During the nine months ended September 30, 2023, we repurchased 2.3 million shares at an aggregate cost of \$150.0 million at an average price of \$66.24. Including repurchases made during the nine months ended September 30, 2023, we expect to repurchase shares for an approximate aggregate cost of \$200.0 million by the end of 2023. program.

Other Commitments

We have other commitments that we are contractually obligated to fulfill with cash under certain circumstances. As of September 30, 2023 March 31, 2024, we were contingently liable for an aggregate amount of \$95.8 million \$97.2 million under outstanding letters of credit, which guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Obligations under these letters of credit are not normally called, as we typically comply with the underlying performance requirements. As of September 30, 2023 March 31, 2024, we had collateral deposits in the amount of \$14.0 \$13.2 million with respect to these agreements.

In connection with our 50/50 unconsolidated joint venture, we have a potential obligation to fund ARO for newbuild jackup rigs. The Shareholder Agreement specifies that ARO has plans to shall purchase 20 newbuild jackup rigs over an approximate 10-year period. In January 2020, ARO ordered the The first two newbuild jackups, the first of which rig, Kingdom 1, was delivered in October the fourth quarter 2023, and the second is expected to be delivered in the first second quarter of 2024. ARO is expected to place orders for two additional newbuild jackups in the near term. The joint venture partners intend for the newbuild jackup rigs to be financed out of available cash from ARO's operations and/or funds available from third-party debt financing. In January 2020, ARO paid 25% of the purchase price from cash on hand for each of the two newbuilds ordered, and in October 2023, ARO entered into a \$359.0 million term loan to finance the remaining payments due upon delivery of the two rigs and for general corporate purposes. The term loan matures in eight years following the related drawdown under the term loan and requires equal quarterly amortization payments during the term, with a 50% balloon payment due at maturity. The term loan bears interest based on the three-month Secured Overnight Financing Rate (SOFR) plus a margin ranging from 1.25% to 1.4%. Our Notes Receivable from ARO are subordinated and junior in right of payment to ARO's term loan.

ARO is expected to commit to orders for two additional newbuild jackups in the near term and intends for these newly ordered jackup rigs to be financed out of cash on hand or from operations or funds available from third-party financing. In the event ARO has insufficient cash from operations or is unable to obtain third-party financing, each partner may periodically be required to make additional capital contributions to ARO, up to a maximum aggregate contribution of \$1.25 billion from each partner to fund the newbuild program. Beginning with the delivery of the second newbuild, each partner's commitment shall be reduced by the lesser of the actual cost of each newbuild rig as delivered, or \$250.0 million on a proportionate basis. See "[Note 3](#) - Equity Method Investment in ARO" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on ARO.

Tax Assessments

In February 2024, one of our Malaysian subsidiaries received an unfavorable court decision regarding a tax assessment for the 2012-2017 tax years totaling approximately MYR 117.0 million (approximately \$25.0 million converted at current period-end exchange rates), including a late payment penalty. Based on this development, we may be required to pay the full amount to further contest the assessment. We have not recorded a liability for uncertain tax positions as of March 31, 2024, related to this assessment based on a more-likely-than-not threshold. We believe our tax returns are materially correct as filed and will vigorously contest this assessment.

In December 2023, one of our Luxembourg subsidiaries received tax assessments for fiscal years 2019, 2020, 2021 and 2023. In February 2024, the Luxembourg tax authorities rescinded the portion of the assessment relating to 2023, resulting in a revised aggregate tax assessment of approximately €60.0 million (approximately \$63.0 million converted at current period-end exchange rates). We recorded a liability for uncertain tax positions for this amount in the fourth quarter of 2023 and contested the validity and amount of the assessments. In April 2024, we received a favorable decision from the Luxembourg tax authorities stating that the assessments for the 2019-2021 tax years are not enforceable. As a result, we will reverse the uncertain tax position liability for the previously issued assessments and recognize a tax benefit of approximately \$63.0 million in our condensed consolidated statements of operations during the second quarter of 2024. See Note 10 – Income Taxes to our condensed consolidated financial statements included in "Item 1. Financial Statements" for information on this matter.

During 2019, the Australian tax authorities issued aggregate tax assessments totaling approximately A\$101.0 million (\$65.0 (approximately \$66.0 million converted at current quarter-end exchange rates) plus interest related to the examination of certain of our tax returns for the years 2011 through 2016. During the third quarter of 2019, we made a A\$42.0 million payment (approximately \$29.0 million at then-current exchange rates) to the Australian tax authorities to litigate the assessment. We have a \$17.5 \$18.2 million liability for unrecognized tax benefits relating to these assessments as of [September 30, 2023](#) [March 31, 2024](#). We believe our tax returns are materially correct as filed, and we are vigorously contesting these assessments. Although the outcome of such assessments and related administrative proceedings cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on our financial position, operating results and cash flows.

Divestitures

Our business strategy has been to focus on ultra-deepwater floater and premium jackup operations and de-emphasize other assets and operations that are not part of our long-term strategic plan or that no longer meet our standards for economic returns. We continue to focus on our fleet management strategy in light of the composition of our rig fleet. While taking into account certain restrictions on the sales of assets under our debt agreements, as part of our strategy, we may act opportunistically from time to time to monetize assets to enhance stakeholder value and improve our liquidity profile, in addition to reducing holding costs by selling or disposing of lower-specification or non-core rigs. See "[Note 8](#) - Debt" to our condensed consolidated financial statements included in "Item 1. Financial Statements" our annual report on Form 10-K for the year ended December 31, 2023 for additional information on restrictions on the sales of assets.

In April 2023, VALARIS 54 was sold resulting in a pre-tax gain on the sale of \$27.3 million in the second quarter of 2023.

MARKET RISK

Interest Rate Risk

Our outstanding debt at [September 30, 2023](#) [March 31, 2024](#) consisted of our \$1.1 billion aggregate principal amount of Second Lien Notes. We are subject to interest rate risk on our fixed-interest rate borrowings. Fixed rate debt, where the interest rate is fixed over the life of the instrument, exposes us to changes in market interest rates impacting the fair value of the debt.

Our Credit Agreement provides for commitments permitting borrowings of up to \$375.0 million at **September 30, 2023** **March 31, 2024**. As the interest rates for such borrowings are at variable rates, we are subject to interest rate risk. As of **September 30, 2023** **March 31, 2024**, we had no outstanding borrowings under the Credit Agreement.

Our Notes Receivable from ARO bear interest based on **the one-year LIBOR term SOFR rate**, set as of the end of the year prior to the year applicable, plus **two percent: 2.10%**. As the Notes Receivable from ARO bear interest on the **LIBOR applicable SOFR rate** determined at the end of the preceding year, the rate governing our interest income in **2023** **2024** has already been determined. A hypothetical 1% decrease to **LIBOR SOFR** would decrease interest income for the year ended **December 31, 2023** **December 31, 2024** by \$4.0 million based on the principal amount outstanding at **September 30, 2023** **March 31, 2024** of \$402.7 million.

Foreign Currency Risk

Our functional currency is the U.S. dollar. As is customary in the oil and gas industry, a majority of our revenues and expenses are denominated in U.S. dollars; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. We are exposed to foreign currency exchange risk to the extent the amount of our monetary assets denominated in the foreign currency differs from our obligations in the foreign currency or revenue earned differs from costs incurred in the foreign currency. We do not currently hedge our foreign currency risk.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires us to make estimates, judgments and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to our audited consolidated financial statements for the year ended **December 31, 2022** **December 31, 2023**, included in our annual report on Form 10-K filed with the SEC on **February 21, 2023** **February 22, 2024**. These policies, along with our underlying judgments and assumptions made in their application, have a significant impact on our condensed consolidated financial statements.

We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results and that require the most difficult, subjective and/or complex judgments regarding estimates in matters that are inherently uncertain. Our critical accounting policies are those related to property and equipment, income taxes and pension and other post-retirement benefits. For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in Part II of our annual report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

New Accounting Pronouncements

See [Note 1](#) - Unaudited Condensed Consolidated Financial Statements to our condensed consolidated financial statements included in "Item 1. Financial Statements" for information on new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information required under this Item 3. has been incorporated herein from "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk."

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures – We have established disclosure controls and procedures to ensure that the information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and made known to the officers who certify the Company's financial reports and to other members of senior management and the board of directors as appropriate to allow timely decisions regarding required disclosure.

Based on their evaluation as of **September 30, 2023** **March 31, 2024**, our management, with the participation of our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective.

Changes in Internal Controls – There were no material changes in our internal control over financial reporting during the quarter ended **September 30, 2023** **March 31, 2024** 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

Environmental Matters

We are currently subject to pending notices of assessment relating to spills of drilling fluids, oil, brine, chemicals, grease or fuel from drilling rigs operating offshore Brazil from 2008 to 2019, pursuant to which the governmental authorities have assessed, or are anticipated to assess, fines. We have contested these notices and appealed certain adverse decisions and are awaiting decisions in these cases. Although we do not expect final disposition of these assessments to have a material adverse effect on our financial position, operating results and cash flows, there can be no assurance as to the ultimate outcome of these assessments. A \$0.4 million liability related to these matters was included in Accrued liabilities and other on our Condensed Consolidated Balance Sheet as of **September 30, 2023** **March 31, 2024** included in "Item 1. Financial Statements."

Other Matters

In addition to the foregoing, we are named defendants or parties in certain other lawsuits, claims or proceedings incidental to our business and are involved from time to time as parties to governmental investigations or proceedings, including matters related to taxation, arising in the ordinary course of business. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, we do not expect these matters to have a material adverse effect on our financial position, operating results or cash flows.

Item 1A. Risk Factors

There are numerous factors that affect our business and results of operations, many of which are beyond our control. In addition to the other information presented in this quarterly report, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended **December 31, 2022**, and "Item 1A. Risk Factors" in **Part II of our Quarterly Report on Form 10-Q for the quarterly period March 31, 2023** **December 31, 2023**, which contains descriptions of significant risks that may cause our actual results of operations in future periods to differ materially from those currently anticipated or expected.

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

In 2022, our **Our** board of directors **has** authorized a share repurchase program **under which we may purchase up to \$100.0 million of our outstanding Common Shares. In April 2023, the board of directors authorized an increase of this amount to \$300.0 million.** **\$600.0 million.** The share repurchase program does not have a fixed expiration, may be modified, suspended or discontinued at any time and is subject to compliance with applicable covenants and restrictions under our financing agreements.

The following table provides a summary amount remaining for purchase was approximately \$400.0 million as of **our March 31, 2024**. There were no share repurchases **of our equity securities** **under this program** during the **quarter** **three months ended September 30, 2023** (in millions, except average price per share):

Issuer Purchases of Equity Securities						
Period	Total Number of Securities Purchased	Average Price Paid per Security	Total Number of Securities Purchased as Part of Publicly Announced Programs		Approximate Dollar Value of Securities that May Yet Be Purchased Under Programs	
			Announced Programs	or Programs	or Programs	or Programs
July 1 - July 31	0.4	\$ 70.59		0.4	\$	207.6
August 1 - August 31	0.4	\$ 74.25		0.4	\$	176.8
September 1 - September 30	0.4	\$ 75.15		0.4	\$	150.0
Total	1.2	\$ 73.30		1.2	\$	150.0

March 31, 2024.

Item 5. Other Information

During the three months ended **September 30, 2023** **March 31, 2024**, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

As disclosed in prior filings, in August 2017, one of our Brazilian subsidiaries was contacted by the Federal Prosecutor's Office in the State of Paraná in connection with a criminal investigation procedure initiated against agents of both Samsung Heavy Industries, a shipyard in South Korea, and Pride International LLC, a legacy Valaris entity, ("Pride") in relation to the drilling services agreement with Petrobras for VALARIS DS-5 (the "DSA"). The Brazilian authorities

requested information regarding our compliance program and the findings of our internal investigations relating to the DSA. We cooperated with the Federal Prosecutor's Office and provided documents in response to its request.

In October 2023, we were informed that the Coordination Chamber of the Brazilian Federal Prosecutor's Offices had formally closed the criminal investigation with no accusations of wrongdoing being brought against former employees of Pride. We cannot predict whether any Brazilian governmental authority will open any further investigation into Pride's involvement in this matter, or if an additional proceeding were opened, the scope or ultimate outcome of any such investigation.

While this closes the criminal investigation, the Brazil administrative proceeding with the Federal Court of Accounts is ongoing. For more information, see "Note 11 - Contingencies" to our consolidated financial statements included in "Item 1. Financial Statements."

Item 6. Exhibits

Exhibit Number	Exhibit
+*10.1	2024 Form of PSU Award Agreement
*31.1	Certification of the Chief Executive Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of the Chief Financial Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**32.1	Certification of the Chief Executive Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of the Chief Financial Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*101.INS	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 Extension Calculation Linkbase Document
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
*104	The cover page of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 , formatted in Inline XBRL (included with Exhibit 101 attachments).

* Filed herewith.

** Furnished herewith.

+ Management contract or compensatory plan and arrangement required to be filed as an exhibit pursuant to Item 6 of this report.

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.

Valaris Limited

November 7,
Date: 2023 May 2, 2024

/s/ CHRISTOPHER T. WEBER

Christopher T. Weber
Senior Vice President and Chief
Financial Officer

/s/ MELISSA BARRON

/s/ COLLEEN W. GRABLE

Colleen W. Grable
Vice President and
Melissa Barron
Controller
(principal accounting officer)

5145

Exhibit 10.1

**VALARIS LIMITED
2021 MANAGEMENT INCENTIVE PLAN
NOTICE AND ACCEPTANCE OF PERFORMANCE STOCK UNIT AWARD**

You have been granted the following award (the "Award") of performance-based Restricted Stock Units ("PSUs") and Dividend Equivalents pursuant to the Valaris Limited 2021 Management Incentive Plan (as the same may be amended, the "Plan"). Each PSU represents the right to receive one common share, par value \$0.01 per share, of Valaris Limited, an exempted company incorporated under the laws of the Bermuda (the "Company").

Name of Grantee: [] (the "Grantee")

Target Number of PSUs Granted: []

An equivalent number of tandem Dividend Equivalents are granted in conjunction with the grant of PSUs.

Date of Grant: [] (the "Grant Date")

Vesting Schedule: [] (the "Vesting Date").

Performance Period: []

The terms of the Award referenced herein are subject to the provisions of this Notice and Acceptance of Performance Stock Unit Award (the "Grant Notice"), the attached Performance Stock Unit Award Agreement Terms and Conditions (the "Terms and Conditions," and together with this Grant Notice, the "Agreement"), and the Plan. Capitalized terms not otherwise defined in the Agreement shall have the meanings given to them given to them in the Plan.

The Terms and Conditions are provided herewith. The Plan and Plan prospectus are available to you through the Corporate Compensation Department in Houston and may be accessed on the Merrill Lynch Benefits OnLine® website.

Except as otherwise set forth in the Agreement, any PSUs granted hereunder that have not vested under the Vesting Schedule will be forfeited if and when you cease to be an employee of the Company Group.

By signing this Grant Notice, you hereby agree to accept the above Award pursuant to the provisions of the Plan and the Agreement.

VALARIS LIMITED

By:
Name:
Title:

ACCEPTED AND AGREED

By:
Name:
Date:

VALARIS LIMITED
2021 MANAGEMENT INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD
TERMS AND CONDITIONS

Valaris Limited, an exempted company incorporated under the laws of the Bermuda (the "Company"), has adopted the Valaris Limited 2021 Management Incentive Plan (as the same may be amended, the "Plan"). Capitalized terms not otherwise defined in the Agreement shall have the meaning given to such terms in the Plan. In furtherance of the purposes of the Plan, and pursuant thereto, the Award of PSUs and Dividend Equivalents has been granted under the Plan to the Grantee as described in the Grant Notice, which must be executed by the Grantee to reflect the Grantee's acceptance of the Award and the terms of the Agreement. The Company and the Grantee may be individually referred to herein as "Party" or collectively as "Parties".

- 1) **Grant of PSUs and Dividend Equivalents.** Subject to the terms, conditions and restrictions set forth in the Plan and those specified herein, the Company hereby grants the number of performance-based Restricted Stock Units ("PSUs") and tandem Dividend Equivalents specified in the Grant Notice to the Grantee (the PSUs together with the Dividend Equivalents are the "Award"). Subject to Section 3(d) hereof, each PSU represents an unsecured promise of the Company to issue to the Grantee (and accordingly a right of the Grantee to acquire) one common share of the Company, par value \$0.01 per share ("Share") pursuant to the terms and conditions of the Plan and the Agreement. Each tandem Dividend Equivalent represents a right to receive cash payments equivalent to the amount of cash dividends declared and paid on one Share after the Grant Date and before the Dividend Equivalent expires. PSUs and Dividend Equivalents are used solely as units of measurement, and are not Shares; the Grantee is not, and has no rights as, a shareholder of the Company by virtue of receiving the Award unless and until the PSUs are converted to Shares and transferred to the Grantee, as set forth herein.
- 2) **Transfer Restrictions.** The Grantee shall not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, "Transfer") any PSUs or Dividend Equivalents granted hereunder other than by will or by the laws of descent and distribution. Any purported Transfer of PSUs or Dividend Equivalents in breach of the Agreement shall be void and ineffective and shall not operate to Transfer any interest or title in the purported transferee.
- 3) **Vesting and Settlement of PSUs and Dividend Equivalents.**
 - a) **Vesting of PSUs and Dividend Equivalents.** Subject to these Terms and Conditions, the Grantee's interest in the PSUs and tandem Dividend Equivalents granted hereunder shall vest on the Vesting Date set out in the Grant Notice, provided that the Grantee is still an employee of the Company Group and has continuously been an employee of the Company Group from the Grant Date through the Vesting Date, except as provided in Section 4. All PSUs that have not become vested as of the Vesting Date shall be forfeited. Any Dividend Equivalents subject to the Agreement shall expire at the time the PSU with respect to which the Dividend Equivalent is in tandem (i) is vested and paid, (ii) is forfeited, or (iii) expires.

- b) **Settlement of PSUs.** With respect to any PSUs earned hereunder, the Grantee shall become entitled to the number of Shares which have become vested as of the Vesting Date. Subject to Section 4 below, such Shares shall be issued to or on behalf of the Grantee in exchange for such vested PSUs on or prior to the 60th calendar day immediately following the Vesting Date, and if applicable, shall be subject to any further transfer or other restrictions as may be required by a securities law or other applicable law as determined by the Company.
- c) **Payment of Dividend Equivalents; Voting Rights.** Payments with respect to any Dividend Equivalents subject to the Agreement shall accrue in a bookkeeping account of the Company and be paid, without interest, upon settlement of the associated PSU. All rights with respect to, or in connection with, the PSUs shall be exercisable during the Grantee's lifetime only by the Grantee. The Grantee shall not be entitled to any voting rights with respect to the PSUs.
- d) **Adjustments.** As provided in the Plan, in the event of any change in the number of Shares issued and outstanding by reason of any share dividend or split, reverse share split, recapitalization, consolidation, combination or exchange of shares or similar corporate change or in the event of any extraordinary dividends, spin-off or similar reorganization, the number of PSUs granted under the Agreement and the applicable performance targets shall be proportionately increased or reduced, as applicable, so as to prevent the enlargement or dilution of the Grantee's

rights and duties hereunder. The determination of the Committee regarding such adjustments shall be final and binding.

4) Accelerated Vesting and Forfeiture Events.

a) Termination without Cause; Resignation for Good Reason; Retirement; Disability; Death. If the Grantee's continuous service is terminated (i) as a result of the Grantee's Retirement (as defined below) at least 12 months following the Grant Date or (ii) by the Company without Cause, by the Grantee for Good Reason, or as a result of the Grantee's Disability or death at any time, then the Grantee shall vest following the completion of the Performance Period on the Vesting Date in a number of PSUs and tandem Dividend Equivalents equal to the final number of PSUs and tandem Dividend Equivalents actually earned hereunder during the Performance Period multiplied by a fraction, the numerator of which is the number of whole months of continuous service actually completed by the Grantee during the Performance Period and the denominator of which is the number of whole months in the Performance Period. Settlement of such PSUs and tandem Dividend Equivalents shall not be accelerated and shall occur in accordance with Section 3 above.

As used herein, "Good Reason" has the meaning ascribed to such term in the Valaris Executive Severance Plan, as amended and restated from time to time.

As used herein, "Retirement" means Grantee's termination of continuous service after the date on which the Grantee has (i) attained age 55 and completed at least 10 years of continuous service with the Company Group; or (ii) attained age 65; provided that the Grantee has provided the Committee with at least six months' advanced written notice of such termination of continuous service.

b) Termination Due to Cause; Violation of Restrictive Covenants. If the Grantee's continuous service is terminated for Cause or the Grantee materially violates any of the Restrictive Covenants set forth in Section 5 hereof at any time prior to full settlement of this Award: (i) all then outstanding PSUs and tandem Dividend Equivalents, whether or not vested, shall be immediately forfeited and cancelled as of the date of such termination, and shall not vest or be paid in any respect, without the necessity of any notice or other further action; and (ii) the Grantee shall be obligated to return to the Company any Shares previously issued under this Award or the economic value of such Shares if no longer held by the Grantee within 30 days following receipt of written demand from the Board.

c) Other Terminations. If the Grantee's continuous service is terminated for any reason except as otherwise provided above in this Section 4, all of the then unvested PSUs shall be immediately forfeited and cancelled as of the date of such termination and shall not vest in any respect, without the necessity of any notice or other further action. All vested PSUs and associated Dividend Equivalents shall be settled as set forth in Section 3 above.

d) Change in Control. In the event of a Change in Control (as defined below), the PSUs shall vest to the extent earned based on achievement of the performance objectives through the date prior to consummation of such Change in Control (or, if determined necessary in the sole discretion of the Committee to accurately determine such achievement for any performance objective, based on achievement through the end of the fiscal quarter that precedes the consummation of such Change in Control). Such vested PSUs shall be settled within 30 days after consummation of such Change in Control. As used herein, "Change in Control" means (i) a change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group, acquires ownership of Shares that, together with Shares held by such person or persons acting in concert,

constitutes more than fifty percent (50%) of the total voting power of the Shares; (ii) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of appointment or election; or (iii) a sale of all or substantially all of the assets of Company. Additionally, with respect to any PSUs and Dividend Equivalents that constitute a deferral of compensation under Section 409A of the Code, any such transaction must also constitute a "change in control event" within the meaning of Treasury Regulation §1.409A-3(i)(5).

Notwithstanding the foregoing, a "Change in Control" of the Company will not be deemed to have occurred by virtue of the consummation of any transaction or series of related transactions immediately following which the beneficial owners of the voting Shares immediately before such transaction or series of transactions continue to have a majority of the direct or indirect ownership in one or more entities which, singly or together, immediately following such transaction or series of transactions, either (A) own all or substantially all of the assets of the Company as constituted immediately prior to such transaction or series of transactions, or (B) are the ultimate parent with direct or indirect ownership of all of the voting Shares after such transaction or series of transactions. For further clarification, a "Change in Control" of the Company will not be deemed to have occurred by virtue of the consummation of any transaction or series of

related transactions effected for the purpose of changing the place of incorporation or form of organization of the Company or the ultimate parent of the Company and its subsidiaries.

- e) **Superseding Effect.** For the avoidance of doubt, the Grantee expressly acknowledges and agrees that the terms and conditions of this Section 4 solely govern the treatment of this Award in connection with a Change in Control and/or any termination of the Grantee's continuous service and therefore expressly supersede any provisions regarding the treatment of equity awards included in any individual change in control agreement, and any other plan, agreement, arrangement or policy with any member of the Company Group.
- 5) **Restrictive Covenants.** The Grantee acknowledges and agrees the Grantee shall continue to be bound by and obligated to comply with the terms of any restrictive covenant, intellectual property, or confidentiality agreement that the Grantee has executed in connection with the Grantee's employment with the Company Group and the provisions of this Section 5 are in addition to, and not in lieu of such agreements. The restrictions contained in this Section 5 are a material condition to this Award and the Grantee acknowledges that he or she would not have received the Award absent his or her Agreement to be bound by the restrictions in this Section 5.
 - a) **Confidentiality.** During the course of the Grantee's employment with the Company, the Company has (i) disclosed or entrusted to the Grantee, and provided the Grantee with access to, Confidential Information (as defined below), (ii) placed the Grantee in a position to develop business goodwill belonging to the Company Group, and (iii) disclosed or entrusted to the Grantee business opportunities to be developed for the Company Group. The Grantee acknowledges that the Confidential Information has been developed or acquired by the Company Group through the expenditure of substantial time, effort and money and provides the Company Group with an advantage over competitors who do not know or use the Confidential Information. The Grantee further acknowledges and agrees that the nature of the Confidential Information obtained during his or her continuous service would make it difficult, if not impossible, for the Grantee to perform in a similar capacity for a business competitive with the Company Group without disclosing or utilizing Confidential Information. The Grantee shall hold in confidence and not directly or indirectly disclose, use, copy or make lists of any Confidential Information, except to the extent

necessary to carry out his or her duties on behalf of the Company Group. The Grantee agrees to give to the Company notice of any and all attempts to compel disclosure of any Confidential Information within one business day of being informed that such disclosure is being, or will be, compelled. Such written notice shall include a description of the Confidential Information to be disclosed, the court, government agency, or other forum through which the disclosure is sought, and the date by which the Confidential Information is to be disclosed, and shall contain a copy of the subpoena, order or other process used to compel disclosure. For the avoidance of doubt, the provisions of this subsection shall not apply to (A) any disclosure or use authorized by the Company or required by applicable law, (B) any information that is or becomes generally available to the public (other than as a result of the Grantee's unauthorized disclosure), and (C) reporting to the Company's management or directors or to the

government or a regulator conduct you believe to be in violation of the law or the Company's Code of Conduct or responding truthfully to questions or requests for information to the government, a regulator or in a court of law in connection with a legal or regulatory investigation or proceeding.

As used herein, "Confidential Information" means information (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) relating to the business, products, affairs and finances of the Company Group for the time being confidential to the Company Group, and trade secrets including, without limitation, technical data and know-how relating to the business of the Company Group or any of their respective business contacts, including in particular (by way of illustration only and without limitation): (i) information relating to the business of exploring, acquiring, developing, exploiting and disposing of oil and natural gas resources (regardless of when conceived, made, developed or acquired); (ii) information relating to the business or prospective business, current or projected plans or internal affairs of the Company Group; (iii) information relating to the current or prospective marketing or sales of any products or services of the Company Group, including non-public lists of customers' and suppliers' names, addresses and contacts; sales targets and statistics; market share and pricing information; marketing surveys; research and reports; non-public advertising and promotional material; strategies; and financial and sales data; (iv) information relating to any actual or prospective business strategies of the Company Group; (v) information relating to any actual acquisitions, investments or corporate opportunities or prospective acquisition, investment targets or corporate opportunities; (vi) know-how, trade secrets, unpublished information relating to the Company Group's intellectual property and to the creation, production or supply of any products or services of the Company Group; (vii) information to which the Company Group owes an obligation of confidence to a third party (including, without limitation, customers, clients, suppliers, partners, joint venturers and professional advisors of the Company Group); and (viii) other commercial, financial or technical information relating to the business or prospective business of the Company Group, or to any past, current or prospective client, customer, supplier, licensee, officer or employee, agent of the Company Group, or any member or person interested in the share capital or assets of the Company Group, and any other person to whom the Company Group may provide or from whom they may receive information (whether marked confidential or not).

b) *Non-Compete.* In exchange for this Award and the Company's provision to the Grantee of Confidential Information and to protect the Company Group's legitimate business interests, the Grantee hereby agrees that during and for a period of 12 months after his or her termination of continuous service with the Company Group (the "Restricted Period"), the Grantee will not, without the prior written consent of the Committee, directly or indirectly, provide services to, or own any interest in, manage, operate, control, or participate in the ownership, management, operation or control of, any entity (other than any member of the Company Group) that is primarily engaged in the business of providing contracted offshore drilling rigs in any country (or its territorial waters) in which the Company

Group has offices, establishes offices or has definitive plans to locate an office (including as an employee or consultant); provided, however, that notwithstanding the foregoing, (i) the Grantee may own, directly or indirectly, solely as a

passive investment, securities of any entity traded on a national securities exchange if the Grantee is not a controlling person of, or a member of a group which controls, such entity and does not, directly or indirectly, own 5% or more of any class of securities of such entity; and (ii) the Grantee shall not be prevented from providing services to, or owning any interest in, managing, operating, controlling, or participating in the ownership, management, operation or control of, any entity (other than any member of the Company Group) that is primarily engaged in the business of providing contracted offshore drilling rigs in any country (or its territorial waters) with which the Grantee was neither involved nor concerned during the 12 months prior to termination of his continuous service with the Company Group.

- c) *Non-Solicitation.* The Grantee hereby agrees that during the Restricted Period the Grantee will not, directly or indirectly, induce or attempt to induce, or cause or solicit any officer, manager, contractor or employee of the Company Group who was in a senior, sales, research and development or management capacity or who was otherwise in possession of Confidential Information and who reported to or had material contact with the Grantee during the 12 months prior to termination of his continuous service with the Company Group to cease their relationship with the Company Group or hire or engage any such officer, manager, contractor or employee of the Company Group, or in any way materially interfere with the relationship between the Company Group, on the one hand, and any such officer, manager, contractor or employee, on the other hand. Notwithstanding the foregoing, nothing in this Agreement shall prohibit the Grantee from making a general, public solicitation for employment, or using an employee recruiting or search firm to conduct a search, that does not specifically target employees or consultants of the Company Group so long as no persons who were at any time during the 12- month period prior to the commencement of such solicitation, employees or consultants of the Company Group are hired or otherwise engaged as a result of such general solicitations or search firm efforts. The Grantee hereby agrees that during the Restricted Period, the Grantee will not, directly or indirectly, induce, or attempt to induce, cause or solicit any customer, client or supplier of the Company Group who was in a senior, sales, research and development or management capacity or who was otherwise in possession of Confidential Information and who reported to or had material contact with the Grantee during the 12 months prior to termination of his continuous service with the Company Group to reduce or cease doing business with the Company Group, or in any way knowingly interfere with the relationship between any customer, client or supplier of the Company Group, on the one hand, and any member of the Company Group, on the other hand.
- d) *No Disparaging Comments.* The Grantee shall refrain from any criticisms or disparaging comments about the Company Group; provided, however, that nothing in this Agreement shall apply to or restrict in any way the communication of information to any governmental law enforcement agency that is required by compulsion of law. The Grantee acknowledges that in executing this Agreement, he or she has knowingly, voluntarily, and intelligently waived any free speech, free association, free press or First Amendment to the United States Constitution (including, without limitation, any counterpart or similar provision or right under any other state constitution which may be deemed to apply) and rights to disclose, communicate, or publish disparaging information

or comments concerning or related to the Company Group; provided, however, nothing in this Agreement shall be deemed to prevent the Grantee from testifying fully and truthfully in response to a subpoena from any court or from responding to an investigative inquiry from any governmental agency.

- 6) **Clawback.** The PSUs granted under this Agreement, and any Shares issued or other payments made in respect thereof, shall be subject to any recoupment policy that the Company may adopt from time to time, to the extent any such policy is applicable to you and to such compensation including, but not limited to, the Valaris Limited Clawback Policy, designed to comply with the requirements of Rule 10D-1 promulgated under the U.S. Securities Exchange Act of 1934, as amended, as well as any recoupment provisions required under applicable law. For purposes of the foregoing, you expressly and explicitly authorize (x) the Company to issue instructions, on your behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold your Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company and (y) the Company's recovery of any covered compensation through any method of recovery that the Company deems appropriate, including without limitation by reducing any amount that is or may become payable to you. You further agree to comply with any request or demand for repayment by any affiliate of the Company in order to comply with such policies or applicable law. To the extent that the terms of this Agreement and any Company recoupment policy conflict, the terms of the recoupment policy shall prevail.
- 7) **Grantee's Representations.** Notwithstanding any provision hereof to the contrary, the Grantee hereby agrees and represents that the Grantee will not acquire any Shares, and that the Company will not be obligated to issue any Shares to the Grantee hereunder, if the issuance of such Shares constitutes a violation by the Grantee or the Company of any law or regulation of any governmental authority. Any determination in this regard that is made by the Committee, in good faith, shall be final and binding. The rights and obligations of the Company and the Grantee hereunder are subject to all applicable laws and regulations.
- 8) **Tax Consequences; No Advice Regarding Grant.** The vesting of the PSUs, the issuance of Shares with respect to vested PSUs, and the payment of Dividend Equivalents will likely have tax consequences. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding participation in the Plan or the acquisition or sale of the Shares that may be issued under the Agreement. THE GRANTEE IS HEREBY ADVISED TO CONSULT WITH THE GRANTEE'S OWN PERSONAL TAX, LEGAL AND FINANCIAL ADVISERS REGARDING THE GRANTEE'S PARTICIPATION IN THE PLAN AND ANY TAX OR OTHER CONSEQUENCES ASSOCIATED WITH THIS AWARD.
- 9) **Code Section 409A Compliance.** This Agreement is intended to be interpreted and applied so that the payments and benefits set forth herein shall, as applicable, comply with or be exempt from the requirements of Code Section 409A, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to the fullest extent possible to reflect and implement such intent. Notwithstanding anything in this Agreement to the contrary and to the extent the payments and benefits set forth herein are subject to Code Section 409A, a

termination of continuous service shall not be deemed to have occurred for purposes of any provision of this Agreement unless such termination is also a "separation from service" within the meaning of Code Section 409A. Notwithstanding any provision in this Agreement to the contrary, if on his or her termination of service, the Grantee is deemed to be a "specified employee" within the meaning of Code Section 409A, any payments or benefits due upon such termination of service that constitute a "deferral of compensation" within the meaning of Code Section 409A and which do not otherwise qualify under the exemptions under Treas. Reg. § 1.409A-1 (including without limitation, the short-term deferral exemption and the permitted payments under Treas. Reg. § 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided to the Grantee on the earlier of a date within 10 days after the date that is six (6) months after the Grantee's separation from service or, if earlier, the date of the Grantee's death.

10) **UK Tax Matters.** The Grantee agrees to indemnify the Company and its affiliates to the fullest extent permitted by law in respect of any secondary class 1 (employer) national insurance contributions ("Employer NICs") arising in respect of the grant, vesting, settlement or exercise of the PSUs, the issuance, acquisition or disposal of common shares of the Company in respect of the PSUs and any other matter relating to the Award, the PSUs or such common shares (each a "Taxable Event"). At the request of the Company, the Grantee shall elect, to the extent permitted by law, and using a form approved by HM Revenue & Customs, that the whole or any part of the liability for Employer NICs arising as a result of a Taxable Event shall be transferred to the Grantee.

11) **Data Privacy.** The Grantee hereby acknowledges that the Grantee's personal data as described in the Agreement and any other Award materials, may be collected, used and/or transferred in electronic or other form by and among, as applicable, the Company and its affiliates, for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that the Company may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, compensation, job title, any shares or directorships held in the Company or an affiliate, details of all Awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan (individually and collectively, "Data").

The Grantee understands that Data will be transferred to Merrill Lynch and Computershare or such other stock plan service providers as may be selected by the Company in the future, which are assisting the Company with the implementation, administration and management of the Plan. The Grantee understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than the Grantee's home country. The Grantee authorizes the Company, Merrill Lynch, Computershare and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the

Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan.

12) Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

13) Miscellaneous.

- a) No Fractional Shares.** All provisions of the Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded up to the next whole Share.
- b) No Employment Rights.** No provision of the Agreement or the Plan shall be construed to give the Grantee any right to remain an employee of the Company Group, or to continue to provide services to the Company Group, or in any manner to affect the right of the Company to terminate the Grantee's Services at any time, with or without Cause.
- c) Notices.** Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal delivery, by telegram, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address (Attention: Corporate Secretary), and to the Grantee at his or her address indicated on the Company's records, or at such other address and number as a Party has previously designated by written notice given to the other Party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.
- d) Amendment, Termination and Waiver. The Agreement may be amended, modified, terminated or superseded; provided that any such action that materially impairs any rights or materially increases any obligations under the Award with respect to the Grantee may only be made with the consent of the Grantee. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the Party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company who is not the Grantee. The failure of any Party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any Party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.**
- e) Severability. It is the desire of the Parties hereto that the Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of the Agreement. The Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.**

- f) **Governing Law; Jurisdiction.** Except to the extent preempted by any applicable federal law, this Agreement will be construed and administered in accordance with the laws of Texas.
- g) **Imposition of Other Requirements.** The Company reserves the right to (i) impose other requirements regarding participation in the Plan, with respect to the Agreement and on any Shares acquired under the Plan, to the extent that the Company determines it is necessary or advisable in order to (A) comply with applicable laws, including, the country where the Grantee resides, or (B) facilitate the administration of the Plan, and (ii) require the Grantee to sign any additional agreements or undertakings that are reasonably necessary to accomplish the foregoing.
- h) **The Grantee's Acknowledgment.** The Grantee represents and acknowledges that (i) the Grantee is knowledgeable and sophisticated as to business matters, including the subject matter of the Agreement, (ii) the Grantee has read the Agreement and understands its terms and conditions, (iii) the Grantee has had ample opportunity to discuss the Agreement with the Grantee's legal counsel, if so desired, prior to execution of the Agreement, and (iv) no strict rules of construction shall apply for or against the drafter of the Agreement or any other Party.
- i) **Survival of Certain Provisions.** Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of the Agreement or the termination of the Grantee's continuous service with the Company Group.
- j) **Successors and Assigns.** The Agreement shall bind, be enforceable by, and inure to the benefit of, the Parties and their permitted successors and assigns as determined under the terms of the Agreement and the Plan.
- k) **Counterparts.** The Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

Exhibit 31.1

CERTIFICATION

I, Anton Dibowitz, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending **September 30, 2023** **March 31, 2024** of Valaris Limited;
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 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 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):

- 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
- 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.

Dated: **November 7, 2023** **May 2, 2024**

/s/ Anton Dibowitz

Anton Dibowitz
Director, President and Chief Executive
Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Christopher T. Weber, certify that:

- I have reviewed this report on Form 10-Q for the fiscal quarter ending **September 30, 2023** **March 31, 2024** of Valaris Limited;
- 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;
- 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;
- The registrant's other certifying officer 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:
 - 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;
 - 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;
 - 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
 - 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 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.

November 7, 2023 May 2,
Dated: 2024

/s/ Christopher T. Weber

Christopher T. Weber
Senior Vice President and Chief
Financial Officer
(principal financial officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Valaris Limited (the "Company") on Form 10-Q for the period ending September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anton Dibowitz, Director, President and Chief Executive Officer (principal executive officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anton Dibowitz

Anton Dibowitz
Director, President and Chief Executive Officer
(principal executive officer)

November 7, 2023 May 2, 2024

The foregoing certification is being furnished solely pursuant to § 906 of the Act and Rule 13a-14(b) promulgated under the Exchange Act and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Valaris Limited (the "Company") on Form 10-Q for the period ending **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher T. Weber, Senior Vice President and Chief Financial Officer (principal financial officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher T. Weber

Christopher T. Weber
Senior Vice President and Chief Financial Officer
(principal financial officer)

November 7, 2023 **May 2, 2024**

The foregoing certification is being furnished solely pursuant to § 906 of the Act and Rule 13a-14(b) promulgated under the Exchange Act and is not being filed as part of the Report or as a separate disclosure document.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.