

REFINITIV

DELTA REPORT

10-Q

DO - DIAMOND OFFSHORE DRILLING

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

The following comparison report has been automatically generated

TOTAL DELTAS 1493

█	CHANGES	189
█	DELETIONS	685
█	ADDITIONS	619

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, March 31, 2023** **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 **1-13926**

DIAMOND OFFSHORE DRILLING, INC.

(Exact name of registrant as specified in its charter)

Delaware **76-0321760**

(State or other jurisdiction of incorporation **(I.R.S. Employer**
or organization) **Identification No.)**

15415 Katy Freeway 777 N. Eldridge Parkway, Suite 1100

Houston, Texas

77094 77079

(Address of principal executive offices)

(Zip Code)

(281) 492-5300

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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 No

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

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

As of **November 3, 2023** **May 6, 2024** Common stock, \$0.0001 par value per share **102,322,002** **102,481,240** shares.

DIAMOND OFFSHORE DRILLING, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

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

	Sept embe r 30, 2023	Dece mber 31, 2022	March 31, 2024	December 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	14	6, 63	82 ,0	\$ 6 \$ 41 \$ 162,409 \$ 124,457

Restricted cash	25	34		
	,5	,2		
	56	93	6,832	14,231
Accounts receivable	17	17		
	7,	7,		
	12	67		
	3	5	225,654	260,124
Less: allowance for credit losses	(5,	(5,		
	69	62		
	8)	2)	(5,731)	(5,801)
Accounts receivable, net	17	17		
	1,	2,		
	42	05		
	5	3	219,923	254,323
Prepaid expenses and other current assets	13			
	6,	48		
	21	,6		
	1	95	57,402	63,412
Asset held for sale	1,			
	00			
	0	—	1,000	1,000
Total current assets	48	31		
	1,	8,		
	01	08		
	8	2	447,566	457,423
Drilling and other property and equipment, net of accumulated depreciation	1,	1,		
	15	14		
	7,	1,		
	33	90		
	7	8	1,153,040	1,156,368
Other assets	16			
	7,	67		
	45	,9		
	3	66	89,488	98,762

Total assets	1, 80 5, 80	1, 52 7, 95	\$ 8 \$ 6	\$ 1,690,094	\$ 1,712,553
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	54 ,9	47 ,6	\$ 27	\$ 47	\$ 40,630
Accrued liabilities	16 3, 41	16 6, 78	2	5	185,132
Taxes payable	27 ,4	30 ,2	91	64	33,296
Current finance lease liabilities	15 ,6	16 ,9	55	65	15,960
Total current liabilities	26 1, 48	26 1, 66	5	1	275,344
Long-term debt	53 5, 19	36 0, 64	4	4	534,009
Noncurrent finance lease liabilities	11 7, 88	13 1, 39	9	3	108,537
Deferred tax liability	70 2	70 0	70	0	113,201
					15,472
					10,966

Other liabilities	10			
	3,	93		
	37	,8		
	7	88	97,421	113,871
Commitments and contingencies (Note 7)				
Total liabilities	1,			
	01	84		
	8,	8,		
	64	28		
	7	6	1,030,783	1,067,702
Stockholders' equity:				
Preferred stock (par value \$0.0001, 50,000 shares authorized, none issued and outstanding at September 30, 2023 and December 31, 2022)	—	—		
Common stock (par value \$0.0001, 750,000 shares authorized; 103,189 shares issued and 102,322 shares outstanding at September 30, 2023 and 101,884 shares issued and 101,320 shares outstanding at December 31, 2022)	10	10		
Preferred stock (par value \$0.0001, 50,000 shares authorized, none issued and outstanding at March 31, 2024 and December 31, 2023)			—	—
Common stock (par value \$0.0001, 750,000 shares authorized; 103,399 shares issued and 102,479 shares outstanding at March 31, 2024 and 103,189 shares issued and 102,322 shares outstanding at December 31, 2023)			10	10
Additional paid-in capital	97	96		
	5,	4,		
	17	46		
	7	7	982,098	978,575
Treasury stock	(8,	(4,		
	49	25		
	3)	2)	(9,154)	(8,493)
Accumulated deficit	(1	(2		
	79	80		
	,5	,5		
	59)	55)	(313,649)	(325,261)
Accumulated other comprehensive income	26	—	6	20

Total stockholders' equity	78	67		
	7,	9,		
	16	67		
	1	0	659,311	644,851
<hr/> Total liabilities and stockholders' equity	<hr/> 1,	<hr/> 1,		
	80	52		
	5,	7,		
	80	95		
	<hr/> \$ 8	<hr/> \$ 6	<hr/> \$ 1,690,094	<hr/> \$ 1,712,553
	<hr/>	<hr/>	<hr/>	<hr/>

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

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DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Revenues:				
Contract drilling	\$ 224,929	\$ 189,861	\$ 258,770	\$ 214,383
Revenues related to reimbursable expenses	20,029	36,212	15,840	17,638
Total revenues	244,958	226,073	274,610	232,021
Operating expenses:				
Contract drilling, excluding depreciation	181,954	155,567	184,205	173,490
Reimbursable expenses	18,662	35,765	15,266	17,213
Depreciation	27,785	26,069	31,354	27,906
General and administrative	16,649	16,320	18,576	19,585
Gain on disposition of assets	(955)	(73)		

Loss (gain) on disposition of assets			3,396	(1,213)
Total operating expenses	244,095	233,648	252,797	236,981
Operating income (loss)	863	(7,575)	21,813	(4,960)
Other income (expense):				
Interest income	161	11	1,774	7
Interest expense, net of amounts capitalized	(13,774)	(10,364)	(15,346)	(12,040)
Foreign currency transaction gain	184	237		
Loss on extinguishment of long-term debt	(6,529)	—		
Foreign currency transaction gain (loss)			231	(1,271)
Other, net	(485)	172	(71)	(152)
Loss before income tax (expense) benefit	(19,580)	(17,519)		
Income tax (expense) benefit	(125,436)	23,029		
Net (loss) income	\$ (145,016)	\$ 5,510		
(Loss) earnings per share				
Income (loss) before income tax benefit			8,401	(18,416)
Income tax benefit			3,211	25,645
Net income			\$ 11,612	\$ 7,229
Earnings per share				
Basic	\$ (1.42)	\$ 0.05	\$ 0.11	\$ 0.07
Diluted	\$ (1.42)	\$ 0.05	\$ 0.11	\$ 0.07
Weighted-average shares outstanding				
Basic	102,215	100,875	102,440	101,331
Diluted	102,215	102,273	104,740	103,936

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF **OPERATIONS** **COMPREHENSIVE INCOME**

(Unaudited)

(In thousands, except per share data) thousands)

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

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 11,612	\$ 7,229
Other comprehensive loss, net		
Unrealized loss on marketable securities (net of tax of \$1)	(14)	—
Comprehensive income	<u>\$ 11,598</u>	<u>\$ 7,229</u>

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

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DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

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

Comprehensive (loss) income	\$ (144,990)	\$ 5,510
------------------------------------	--------------	----------

Three Months Ended March 31, 2024									
	Accumulated								
	Additional			Other			Total		
	Common Stock		Paid-In		Accumulate		Comprehens		Stockholde
	Shares	Amount	Capital	Deficit	Income		Treasury Stock		rs'
January 1, 2024	102,3		978,57						
	22	\$ 10	\$ 5	\$ (325,261)	\$ 20		867	\$ (8,493)	\$ 644,851
Net income	—	—	—	11,612	—		—	—	11,612
Stock-based compensation, net of tax	157	—	3,523	—	—		53	(661)	2,862
Unrealized loss on marketable securities	—	—	—	—	(14)		—	—	(14)
March 31, 2024	102,4		982,09						
	79	\$ 10	\$ 8	\$ (313,649)	\$ 6		920	\$ (9,154)	\$ 659,311

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

Three Months Ended March 31, 2023									
	Accumulated								
	Additional			Accumulate			Treasury Stock		Stockholders
	Common Stock		Paid-In		Accumulate		Treasury Stock		
	Shares	Amount	Capital	Deficit	Shares	Amount	Shares	Amount	Equity
January 1, 2023	101,320	\$ 10	\$ 964,467	\$ (280,555)	564	\$ (4,252)	564	\$ (4,252)	\$ 679,670
Net income	—	—	—	7,229	—	—	—	—	7,229

Stock-based compensation, net of tax	38	—	4,072	—	11	(134)	3,938
March 31, 2023	101,358	\$ 10	\$ 968,539	\$ (273,326)	575	\$ (4,386)	\$ 690,837

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

Three Months Ended September 30, 2023

	Accumulated								Stockholder rs'	
	Additional				Other					
	Common Stock		Paid-In Capital		Accumulate d Deficit	Comprehens ive Income	Treasury Stock			
	Shares	Amount	Capital	Deficit	Income		Shares	Amount		
July 1, 2023	101,66		972,44							
	7	\$ 10	\$ 5	\$ (34,543)	\$ —		627	\$ (4,986)	\$ 932,926	
Net loss	—	—	—	(145,016)	—	—	—	—	(145,016)	
Stock-based compensation, net of tax	655	—	2,732	—	—	—	240	(3,507)	(775)	
Unrealized gain on marketable securities	—	—	—	—	—	26	—	—	26	

September 30, 2023	102,32	\$ 10	\$ 975,17	\$ (179,559)	\$ 26	867	\$ (8,493)	\$ 787,161
	2		7					
Nine Months Ended September 30, 2023								

	Accumulated								
	Additional				Other				Total Stockholder rs'
	Common Stock		Paid-In		Accumulate	Comprehens			
	Shares	Amount	Capital	Deficit	Income	Treasury Stock	Shares	Amount	Equity
January 1, 2023	101,32		964,46						
	0	\$ 10	\$ 7	\$ (280,555)	\$ —		564	\$ (4,252)	\$ 679,670
Net income	—	—	—	100,996	—	—	—	—	100,996
Stock-based compensation, net of tax	1,002	—	10,710	—	—	—	303	(4,241)	6,469
Unrealized gain on marketable securities	—	—	—	—	—	26	—	—	26
September 30, 2023	102,32		975,17						
	2	\$ 10	\$ 7	\$ (179,559)	\$ 26		867	\$ (8,493)	\$ 787,161

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

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DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

Three Months Ended September 30, 2022

	Additional								Stockholders
	Common Stock				Paid-In		Accumulate	Treasury Stock	
	Shares	Amount	Capital	Deficit	Shares	Amount	Equity		
	July 1, 2022	100,131	\$ 10	\$ 957,608	\$ (233,627)		18	\$ (139)	\$ 723,852
Net income	—	—	—	5,510	—	—	—	—	5,510

Stock-based compensation, net of tax	1,035	—	3,902	—	446	(3,075)	827
September 30, 2022	101,166	\$ 10	\$ 961,510	\$ (228,117)	464	\$ (3,214)	\$ 730,189
Nine Months Ended September 30, 2022							

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

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

DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended		Three Months Ended	
	September 30,		March 31,	
	2023	2022	2024	2023
Operating activities:				
Net income (loss)	100,9	(50,7		
	\$ 96	\$ 73)		
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Net income			\$ 11,612	\$ 7,229
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	83,59	78,71		
	6	4	31,354	27,906

Gain on disposition of assets	(4,80)			
	(4,102)	2)		
Loss on extinguishment of long-term debt	6,529	—		
Loss (gain) on disposition of assets			3,396	(1,213)
Deferred tax provision	(110,6	(27,1		
	51)	62)	(7,525)	(14,457)
Stock-based compensation expense	10,94	16,47		
	1	1	3,590	4,414
Contract liabilities		(19,7		
	(7,111)	25)		
Contract assets	(4,183)	1,330		
Contract liabilities, net			4,865	297
Contract assets, net			10	(270)
Deferred contract costs, net	(4,19			
	(4,576)	3)	5,867	(2,560)
Collateral deposits	(16,77	17,47		
	3)	9		
Other assets, noncurrent	3,489	(547)	860	(400)
Other liabilities, noncurrent	12,58			
	1	(160)	(874)	1,883
Other	2,089	1,275	963	706
Changes in operating assets and liabilities:				
Accounts receivable		(33,5		
	3,659	75)	34,400	(15,023)
Prepaid expenses and other current assets	(29,25			
	9)	(979)	(128)	(4,229)
Current income tax assets	(49,66			
	4)	—		
Accounts payable and accrued liabilities		20,88		
	9,902	4	(29,300)	(7,796)
Taxes payable	12,74	(16,1		
	2	67)	(72)	(4,664)
Net cash provided by (used in) operating activities	20,20	(21,9		
	5	30)	59,018	(8,177)
Investing activities:				

Capital expenditures	(99,87	(42,6		
	8)	53)	(27,935)	(29,413)
Proceeds from disposition of assets, net of disposal costs	857	5,861	3,805	663
Net cash used in investing activities	(99,02	(36,7		
	1)	92)	(24,130)	(28,750)
Financing activities:				
Proceeds from issuance of second lien notes	550,0			
	00	—		
Borrowings under exit facilities	40,00	69,00		
	0	0		
Extinguishment of long-term debt	(192,1			
	82)	—		
Repayments of exit facilities	(214,0			
	00)	—		
Debt issuance costs and arrangement fees	(15,14			
	0)	—		
Principal payment of finance leases	(14,81	(11,7		
	4)	65)		
Net cash provided by financing activities	153,8	57,23		
	64	5		
Repayments under revolving credit facility			—	(15,000)
Principal payments of finance leases			(4,335)	(4,079)
Net cash used in financing activities			(4,335)	(19,079)
Net change in cash, cash equivalents and restricted cash	75,04	(1,48		
	8	7)	30,553	(56,006)
Cash, cash equivalents and restricted cash, beginning of period	97,33	62,72		
	4	9	138,688	97,334
Cash, cash equivalents and restricted cash, end of period	172,3	61,24		
	\$ 82	\$ 2	\$ 169,241	\$ 41,328

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

**DIAMOND OFFSHORE DRILLING, INC.
AND SUBSIDIARIES**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The unaudited condensed consolidated financial statements of Diamond Offshore Drilling, Inc. and subsidiaries, which we refer to as "Diamond Offshore," "Company," "we," "us" or "our," should be read in conjunction with our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

Interim Financial Information

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

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

Use of Estimates in the Preparation of Financial Statements

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

Restricted Cash

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

We classify such restricted cash accounts in current assets if the restrictions are expected to expire or otherwise be resolved within one year or if such funds are considered to offset current liabilities. At **September 30, 2023** **March 31, 2024**

and December 31, 2022 December 31, 2023, our restricted cash was considered to be current and was recorded in "Restricted cash" in our unaudited Condensed Consolidated Balance Sheets.

Asset Held for Sale

We reported the \$1.0 million carrying value of the *Ocean Monarch* as "Asset held for sale" in our unaudited Condensed Consolidated Balance Sheet Sheets at September 30, 2023 March 31, 2024. A broker has been engaged to assist The rig was sold in marketing the rig April 2024 for sale. aggregate proceeds of approximately \$7.5 million.

10 Accounting Principles Not Yet Adopted

In December 2023, the Financial Accounting Standards Board (or FASB) issued Accounting Standards Update (or ASU) No. 2023-09, *Income Tax (Topic 740): Improvements to Income Tax Disclosures* (or ASU 2023-09). ASU 2023-09 requires business entities on an annual basis to (i) disclose specific categories in the rate reconciliation and (ii) provide additional information for reconciling items that meet certain quantitative thresholds. The new guidance is effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted. We are in the process of evaluating the impact of adopting this new guidance on our consolidated financial statement disclosures.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (or ASU 2023-07). ASU 2023-07 modifies the disclosure and presentation requirements of reportable segments and requires the disclosure of significant segment expenses that are regularly

provided to the chief operating decision maker and included within each reported measure of segment profit and loss. In addition, the new guidance enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, provides new segment disclosure requirements for entities with a single reportable segment, and contains other disclosure requirements. ASU 2023-07 is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We are in the process of evaluating the impact of adopting this new guidance on our consolidated financial statement disclosures.

2. Revenue from Contracts with Customers

The activities that primarily drive the revenue earned from our contract drilling services include (i) providing a Our contracts with customers provide for an offshore drilling rig and drilling services on a dayrate contract basis. The integrated

services provided under our contracts primarily include (i) provision of an offshore drilling rig, the work crew and supplies of equipment and services necessary to operate the rig, (ii) mobilizing mobilization and demobilizing demobilization of the rig to and from the drill site and (iii) performing performance of rig preparation activities and/or modifications required for the each contract. Consideration received for performing these activities may consist of dayrate drilling revenue, mobilization and demobilization revenue, contract preparation revenue and reimbursement revenue.

We account for these the integrated services provided within our drilling contracts as a single performance obligation satisfied over time, and comprised of a series of distinct time increments in which we provide drilling services.

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

Revenues Related to Managed Rigs

We are participants in In 2021, we entered into an arrangement with an offshore drilling company whereby we would provide management and marketing services (or the MSA) MMSA for certain of its their rigs. Per the MSA, The MMSA provided for stacked rigs we earn (i) a daily service fixed fee, based on status of the drilling rig, (ii) marketing fees based on a percentage of the earned dayrate of a drilling contract secured by us on behalf of the rig owner, (iii) a variable management fee and are entitled to (iv) reimbursement of direct costs incurred in accordance with the agreement, cost incurred. The daily service fee revenue is fixed and variable fees were recognized in line with the contractual rate billed for the services provided and is reported in "Contract drilling revenue" drilling revenue in our unaudited Condensed Consolidated Statements of Operations. We record Revenue related to the revenue relating to reimbursed reimbursement of expenses at the gross amount incurred and billed to the rig owner were recorded as "Revenues related to reimbursable expenses" in our unaudited Condensed Consolidated Statements of Operations. In April 2023, we received notice of termination of the marketing arrangement for the managed rigs, which will be effective in the third quarter of 2023. However, termination of the marketing arrangement does not impact the management services that we provide under the MSA.

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

Upon commencement of drilling operations, the MSA for both rigs was suspended and replaced by a charter agreement for the duration of the drilling contracts. We entered into the drilling contract directly with the customer a

customer. We are considered principal or agent of these transactions and recognize revenue under the terms of the contract. We report such revenue. Such amounts are reported as "Contract drilling revenue" drilling" revenue in our unaudited Condensed Consolidated Statements of Operations. In addition, we charter the related drilling rig from the rig owner to satisfy our performance obligation under the contract. We have determined that the arrangement to charter the rig is an operating lease, and the related charter fee has been reported as lease expense within "Contract drilling, excluding depreciation" in our unaudited Condensed Consolidated Statements of Operations.

The marketing arrangements for each of the managed rigs, the

11 West Auriga

and the West Vela, were terminated in 2023. Additionally, the management and charter agreements for the West Auriga were terminated in the first quarter of 2024, and the rig was returned to its owner at the end of February 2024. We also received notice of termination of the management agreement for the West Vela in April 2024, which will become effective after 90 days. The termination of the management agreement will have no effect on the bareboat charter agreement for the West Vela, which provides that it will continue in accordance with its terms until the completion of the rig's existing drilling contract and any option periods.

Contract Balances

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

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Trade receivables	\$ 170,596	\$ 155,956	\$ 206,830	\$ 253,367
Current contract assets (1)	4,324	141	2,565	2,575
Current contract liabilities (deferred revenue) (1)	(4,888)	(11,513)	(17,833)	(12,634)
Noncurrent contract liabilities (deferred revenue) (1)	—	(487)	(3,613)	(3,947)

(1) Contract assets and contract liabilities may reflect balances which have been netted together on a contract basis. Current contract asset and liability balances are included in "Prepaid expenses and other current assets" and "Accru

liabilities," respectively, and net noncurrent contract liability balances are included in "Other liabilities" in our unaudit Condensed Consolidated Balance Sheets.

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

	Contra		Contract	
	ct	Contract	Contract	Contract
	Assets	s	Assets	Liabilities
Balance as of December 31, 2022		(12,0		
	\$ 141	\$ 00)		
Balance as of January 1, 2024			\$ 2,575	\$ (16,581)
Decrease due to amortization of revenue included in the beginning contract liability balance	—	9,266	—	3,185
Increase due to cash received, excluding amounts recognized as revenue during the period		(2,15		
	—	4)	—	(8,050)
Increase due to revenue recognized during the period but contingent on future performance	6,55		391	—
Decrease due to transfer to receivables during the period	(2,3 68)	—	(323)	—
Balance as of September 30, 2023	4,32	(4,88		
	\$ 4	\$ 8)		
Adjustments			(78)	—
Balance as of March 31, 2024			\$ 2,565	\$ (21,446)

Transaction Price Allocated to Remaining Performance Obligations

The following table reflects the specified types of revenue expected to be recognized in the future related to unsatisfied performance obligations as of **September 30, 2023** **March 31, 2024** (in thousands):

	For the Years Ending			For the Year Ending December 31,				
	December 31,			December 31,				
	2023 ⁽¹⁾	2024	Total	2024 ⁽¹⁾	2025	2026	2027	Total
Mobilization and contract preparation			(1,56					
revenue	\$ (633)	\$ (933)	\$ 6)	\$ (4,317)	\$ (1,365)	\$ (1,337)	\$ (1,271)	\$ (8,290)

Capital modification revenue	(1,67) 3	(1,64) 9	(3,32) 2	(2,954)	(142)	—	—	(3,096)
Blended rate/other revenue				(10,060)	—	—	—	(10,060)
Total	(2,30) 6)	(2,58) 2)	(4,88) 8)	\$ (17,331)	\$ (1,507)	\$ (1,337)	\$ (1,271)	\$ (21,446)

⁽¹⁾ Represents the three-month period beginning October 1, 2023 April 1, 2024.

The revenue included above consists of expected fixed mobilization and upgrade revenue for both wholly and partially unsatisfied performance obligations, as well as expected variable mobilization and upgrade revenue for partially unsatisfied performance obligations, which has been estimated for purposes of allocating across the entire corresponding performance obligations. The actual timing of recognition of such amounts may vary due to factors outside of our control. We have applied *certain disclosure practical expedients* in FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and *accordingly, its related amendments* have excluded estimated variable consideration related to wholly unsatisfied performance obligations or to distinct future time increments within our contracts, including dayrate revenue.

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3. Supplemental Financial Information

Unaudited Condensed Consolidated Balance Sheets Information

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

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Trade receivables	\$ 170,596	\$ 155,956	\$ 206,830	\$ 253,367
Insurance claim receivable ⁽¹⁾			11,688	—
Value added tax receivables	5,560	6,075	6,167	5,256
Related party receivables	42	73	75	155
Federal income tax receivables	—	9,450		
Other	925	6,121	894	1,346

	177,123	177,675	225,654	260,124
Allowance for bad debts	(5,698)	(5,622)		
Allowance for credit losses (2)			(5,731)	(5,801)
Total	\$ 171,425	\$ 172,053	\$ 219,923	\$ 254,323

(1) See Note 8 "Ocean GreatWhite Insurance Claim" for a discussion of an insurance claim associated with an equipment incident on one of our rigs.

(2) The allowance for credit losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 represents our estimate of credit losses associated with our "Trade receivables" and "Current contract assets." See Note 4 "Financial Instruments and Fair Value Disclosures" for a discussion of our concentrations of credit risk a allowance for credit losses.

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

	September	December	March 31, 2024	December 31, 2023
	30, 2023	31, 2022		
Current income tax asset	\$ 49,664	\$ —		
Prepaid taxes	21,918	16,922		
Deferred contract costs	17,525	14,373	\$ 15,211	\$ 20,552
Collateral deposit	16,773	—	11,857	11,857
Prepaid taxes			7,526	10,868
Rig spare parts and supplies	10,824	5,091	6,981	4,694
Current contract assets			2,565	2,575
Prepaid insurance	4,457	3,022	2,117	3,437
Current contract assets	4,324	141		
Prepaid rig costs	4,185	4,001	1,978	3,668
Software maintenance agreements and subscriptions	1,560	1,212	1,650	1,408
Deferred survey costs	1,240	838	1,386	1,418
Other	3,741	3,095	6,131	2,935
Total	\$ 136,211	\$ 48,695	\$ 57,402	\$ 63,412

Accrued liabilities consist of the following (in thousands):

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

Rig operating costs			\$ 47,316	\$ 42,893
Contract advances	\$ 52,414	\$ 52,743	33,225	63,618
Rig operating costs	36,692	39,288		
Payroll and benefits	33,211	29,408	26,260	35,215
Interest payable			24,691	13,013
Deferred revenue			17,833	12,634
Personal injury and other claims			6,217	7,391
Current operating lease liability			8,171	8,436
Accrued capital project/upgrade costs	13,764	8,419	8,059	10,766
Personal injury and other claims	6,198	3,738		
Deposit for equipment sale			5,902	1,977
Shorebase and administrative costs	5,457	4,365	4,967	5,699
Current operating lease liability	4,905	13,480		
Deferred revenue	4,888	11,513		
Interest payable	1,334	1,897		
Deposit for equipment sale	1,207	1,670		
Other	3,342	264	2,491	1,694
Total	\$ 163,412	\$ 166,785	\$ 185,132	\$ 203,336

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Other assets consist of the following (in thousands):

	September 30,	December 31,
	2023	2022
Noncurrent deferred tax assets	\$ 121,264	\$ 10,612
Operating lease right of use assets	18,810	30,332
Noncurrent receivables	8,677	13,030
Noncurrent milestone payments	5,804	856

Deferred debt arrangement fees	4,188	6,716
Deferred inspection costs, noncurrent	3,829	2,489
Noncurrent deposits	1,461	1,531
Other	3,420	2,400
Total	\$ 167,453	\$ 67,966

Unaudited Condensed Consolidated Statements of Cash Flows Information

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

	Nine Months Ended		Three Months Ended	
	September 30,		March 31,	
	2023	2022	2024	2023
Accrued but unpaid capital expenditures at period end	\$ 13,764	\$ 2,226	\$ 8,059	\$ 11,697
Common stock withheld for payroll tax obligations ⁽¹⁾	4,241	3,214	661	134
Cash interest payments	30,552	17,718	—	7,488
Cash income taxes paid, net of (refunds):				
Foreign	5,603	12,187	1,851	1,258
U.S. Federal	(5,019)	2,855	130	(8,966)
State	1	—		

⁽¹⁾ Represents the cost of 302,833 and **463,951** **10,946** shares of common stock withheld to satisfy payroll tax obligations incurred as a result of the vesting of restricted stock and restricted stock units during the **nine-month** **three-month** periods ended **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023**, respectively, which is presented as a deduction from stockholders' equity in "Treasury stock" in our unaudited Condensed Consolidated Balance Sheets.

4. Financial Instruments and Fair Value Disclosures

Concentrations of Credit Risk and Allowance for Credit Losses

Our credit risk **corresponds** **arises** primarily **to** **from** trade receivables. The market for our services is the offshore oil and gas industry, and our customer base consists primarily of major and independent oil and gas companies, as well as government-owned oil companies. At **September 30, 2023** **March 31, 2024**, we believed that we had potentially significant concentrations of credit risk due to the number of rigs we had contracted and our limited number of customers, as some of our customers have contracted for multiple rigs.

In general, before working for a customer with whom we have not had a prior business relationship and/or whose financial stability may be uncertain, we perform a credit review on that customer, including a review of its credit ratings and

financial statements. Based on our credit review, we may require that the customer have a bank issue a letter of credit on its behalf, prepay for the services in advance or provide other credit enhancements. We currently have one customer for which prepayments are required and full payment is due prior to commencement of the contract in the second half of 2024.

At September 30, 2023 March 31, 2024, we had not required any credit enhancements no amounts were owed by our customers or required any to pay for services in advance. We have historically used the specific identification method to identify and reserve for uncollectible accounts. The amounts reserved for uncollectible accounts in previous periods have not been significant, individually or in comparison to our total revenues. At September 30, 2023, \$6.6 million in trade receivables were considered past due by 30 days or more, of which \$5.5 million have been fully reserved. The remaining \$1.1 million were less than a year past due. We are working with our customers to resolve any billing issues and expect that the outstanding receivables will be collected or resolved.

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this customer.

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

At March 31, 2024, \$8.5 million in trade receivables were considered past due by 30 days or more, of which \$5.4 million have been fully reserved. The remaining \$3.1 million were less than a year past due and considered collectible. For purposes of calculating our current estimate of credit losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, all trade receivables, except for those fully reserved, were deemed to be in a single risk pool based on their credit ratings at each respective period. Our current estimate of credit losses under CECL was \$0.2 million at both September 30, 2023 and December 31, 2022. Our total allowance for credit losses was \$5.7 million and \$5.6 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, respectively, including \$0.3 million for each period related to our current estimate of credit losses

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under CECL. See Note 3 “Supplemental Financial Information — *Unaudited Condensed Consolidated Balance Sheets Information.*”

Fair Values

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

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

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

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

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

September 30, 2023

	Fair Value Measurements Using						Total Losses for Nine Months Ended (2)	
				Assets (Liabilities)				
	Level 1	Level 2	Level 3	at Fair Value				
Recurring fair value measurements:								
Short-term investments (1)	109,88	\$ 0	\$ —	\$ —	\$ 109,880	\$ —		
Liability-classified Director restricted stock units	(1,417)	—	—	—	(1,417)	(413)		

	March 31, 2024						Total Losses for Three Months Ended (2)	
	Fair Value Measurements Using							
	Level 1	Level 2	Level 3	at Fair Value	Assets (Liabilities)			
Recurring fair value measurements:								
Short-term investments (1)	\$ 63,880	\$ —	\$ —	\$ 63,880	\$ —			
Liability-classified Director restricted stock units (2)	\$ (1,326)	\$ —	\$ —	\$ (1,326)	\$ (62)			

	December 31, 2023						Total Losses for Year Ended (2)	
	Fair Value Measurements Using							
	Level 1	Level 2	Level 3	at Fair Value	Assets (Liabilities)			
Recurring fair value measurements:								
Short-term investments (1)	\$ 92,308	\$ —	\$ —	\$ 92,308	\$ —			
Liability-classified Director restricted stock units (2)	\$ (1,258)	\$ —	\$ —	\$ (1,258)	\$ (252)			

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

(2) Represents The fair value of restricted stock units was estimated based on the quoted market price of our common stock at the respective balance sheet date. The total loss for the period or year includes an increase in stock

compensation expense due to the “marking-to-market” of liability-classified restricted stock units granted to our non-employee directors.

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

directors on a recurring basis.

(1) Represents an increase in stock compensation expense due to the “marking-to-market” of liability-classified restricted stock units granted to our non-employee directors.

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

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

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Our long-term debt is not measured at fair value on a recurring basis; however, under the GAAP fair value hierarchy, our long-term debt such indebtedness would be considered Level 2 liabilities. The fair value of these instruments the instrument was derived using valuation specialists at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Fair values and related carrying values of our long-term debt **Second Lien Notes** (as defined below in Note 6 "Long-Term Debt") are shown below (in millions).

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

	March 31, 2024		December 31, 2023	
	Carrying		Carrying	
	Fair Value	Value	Fair Value	Value
Second Lien Notes	\$ 580.7	\$ 550.0	\$ 562.6	\$ 550.0

We have estimated the fair value amounts by using appropriate valuation methodologies and information available to management. Considerable judgment is required. Certain inputs and value drivers are observed and obtained in active markets from similar assets or liabilities while developing these estimates, and accordingly, no assurance can be given that the estimated values are indicative of the amounts that would be realized in a free market exchange.

5. Drilling and Other Property and Equipment

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

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Drilling rigs and equipment	\$ 1,219,768	\$ 1,126,793	\$ 1,272,564	\$ 1,244,798
Finance lease right of use asset	174,571	174,571	174,571	174,571
Land and buildings	10,034	10,001	10,064	10,040
Office equipment and other	3,492	2,515	5,317	5,180
Cost	1,407,865	1,313,880	1,462,516	1,434,589
Less: accumulated depreciation	(250,528)	(171,972)	(309,476)	(278,221)
Drilling and other property and equipment, net	<u>\$ 1,157,337</u>	<u>\$ 1,141,908</u>	<u>\$ 1,153,040</u>	<u>\$ 1,156,368</u>

6. Long-Term Debt

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the carrying value of our long-term debt, net of unamortized discount, premium and debt issuance costs, was comprised as follows (in thousands):

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

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	March 31, 2024	December 31, 2023
\$550 Million Senior Secured Second Lien Notes due 2030	\$ 534,009	\$ 533,514

Second Lien Notes

On September 21, 2023, Diamond Foreign Asset Company (or DFAC), a wholly owned subsidiary of Diamond Offshore Drilling, Inc. (or DODI), and Diamond Finance, LLC a wholly owned subsidiary of DFAC (or, together with DFAC, collectively referred to as the Issuers), issued \$550.0 million aggregate principal amount of 8.5% Senior Secured Second Lien Notes due October 2030 (or the Second Lien Notes) with interest payable semi-annually in a private placement (or Notes Offering) conducted pursuant to Rule 144A arrears on April 1 and Regulation S under the Securities Act October 1 of 1933, as amended. The Second Lien Notes were issued at par for net proceeds of approximately \$

54014

million after deduction of certain estimated offering expenses.

each year, beginning on April 1, 2024. The Second Lien Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by DODI Diamond Offshore Drilling, Inc. (or DODI) and each of its existing restricted

subsidiaries (other than the Issuers) and by certain of DODI's future restricted subsidiaries (other than the Issuers) that guarantee any debt of the Issuers or any guarantor under any syndicated credit facility or capital markets debt in an aggregate principal amount in excess of a certain amount (or, collectively, the Subsidiary Guarantors and, together with DODI, the Guarantors). The Second Lien Notes and the related guarantees are secured on a second-priority basis, subject to certain permitted liens, by substantially all the assets of, and equity interests in, the Issuers and the Subsidiary Guarantors.

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

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

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

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

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

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

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

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

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

The Second Lien Notes were valued at par at issuance and are were presented net of unamortized debt issuance costs of \$14.8 16.0 million which are being amortized as interest expense over the stated maturity of the notes using the effective interest method. and \$16.5 million, at March 31, 2024 and December 31, 2023, respectively. At September 30, 2023 March 31, 2024, the effective interest rate on the Second Lien Notes was 9.02 9.10%.

Amended Revolving Credit Agreement

On April 23, 2021, we entered into a senior secured Our revolving credit agreement (or the Exit Revolving Credit Agreement), which provided provides for a \$400.0 300.0 million senior secured revolving credit facility and also provided for certain lenders (or the LC Lenders) to issue up to \$100.0 million of letters of credit thereunder (or the Exit RCF), which will mature on April 22, 2026. As a result of the resignation of two LC Lenders since entering into the Exit Revolving Credit Agreement, the aggregate amount of the commitments of the LC Lenders to issue letters of credit under the Exit RCF was reduced from \$100.0 million to \$75.0 million effective September 30, 2022, and further reduced to \$50.0 million effective March 23, 2023.

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

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

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

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

issuance of additional letters of credit under the Amended RCF will be reduced to zero.

Borrowings under the Amended RCF may be used to finance capital expenditures, pay fees, commissions and expenses in connection with the loan transactions, and for working capital and other general corporate purposes. Availability of borrowings under the Amended RCF is subject to the satisfaction of certain conditions, including restrictions on borrowings as provided if, after giving effect to any such borrowings and the application of the proceeds thereof, (i) the aggregate amount of Available Cash (as defined in the Credit Agreement Amendment RCF) would exceed \$125.0 million, (ii) the RCF Collateral Coverage Ratio (as defined in the RCF) would be less than 2.00 to 1.00 or (iii) the Total Collateral Coverage Ratio (as defined in the RCF) would be less than 1.30 to 1.00.

On September 21, 2023 At March 31, 2024 and May 6, 2024, we repaid the aggregate principal amount of had no borrowings outstanding under the Amended RCF of approximately \$189.0 million plus accrued and unpaid interest thereon through the repayment date in full with a portion of the proceeds of the Notes Offering. In addition, we wrote off a pro rata portion of unamortized deferred debt arrangement fees related to the reduction in borrowing capacity under the Amended RCF. We reported the \$1.3 million write-off of fees as "Loss on extinguishment of long-term debt" in our unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023.

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

There was is no capacity to issue additional for the issuance of new letters of credit under the Amended RCF, but the RCF permits us to obtain up to \$50.0 million in letters of credit outside the RCF. We have obtained a separate \$25.0 million letter of credit facility; however, letters of credit thereunder must be cash collateralized.

At September 30, 2023 March 31, 2024, we were in compliance with all covenants under the Second Lien Notes and Amended the RCF.

\$100.0 Million Exit Term Loan

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

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

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

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

Collateral Agency Agreement

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

7. Commitments and Contingencies

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

Non-Income Tax and Related Claims. We have received assessments related to, or otherwise have exposure to, non-income tax items such as sales-and-use tax, value-added tax, ad valorem tax, custom duties, and other similar taxes in various taxing jurisdictions. We have determined that we have a probable loss for certain of these taxes and the related penalties and interest and, accordingly, have recorded a \$13.9 million and \$12.4 million liability at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, in "Other liabilities" in our unaudited Condensed Consolidated Balance Sheets. We intend to defend these matters vigorously; however, the ultimate outcome of these assessments and exposures could result in additional taxes, interest and penalties for which the fully assessed amounts would have a material adverse effect on our financial condition, results of operations and cash flows.

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

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Personal Injury Claims. Under our current insurance policies, which renewed effective May 1, 2024, we generally self-insure \$1.0 million to \$5.0 million per occurrence, depending on jurisdiction, with respect to personal injury claims not related to named windstorms in the U.S. Gulf of Mexico, which primarily result from Jones Act liability in the U.S. Gulf of Mexico. Depending on the nature, severity, and frequency of claims that might arise during the policy year, if the aggregate level of claims exceed certain thresholds, we may self-insure up to \$100.0 million for each subsequent occurrence.

The Jones Act is a federal law that permits seamen to seek compensation for certain injuries during the course of their employment on a vessel and governs the liability of vessel operators and marine employers for the work-related injury or death of an employee. We engage outside consultants to assist us in estimating our aggregate liability for personal injury claims based on our historical losses and utilizing various actuarial models. We allocate a portion of the aggregate liability to "Accrued liabilities" based on an estimate of claims expected to be paid within the next twelve months with the residual recorded as "Other liabilities." At September 30, 2023 March 31, 2024, our estimated liability for personal injury claims was \$16.1 million, of which \$6.2 million and \$9.9 million were recorded in "Accrued liabilities" and "Other liabilities," respectively, in our unaudited Condensed Consolidated Balance Sheets. At December 31, 2022 December 31, 2023, our estimated liability for personal injury claims was \$18.3 million, of which \$3.7 million and \$14.6 million were recorded in "Accrued liabilities" and "Other liabilities," respectively, in our unaudited Condensed Consolidated Balance Sheets. The eventual settlement or adjudication of these claims could differ materially from our estimated amounts due to uncertainties such as:

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

Purchase Obligations. At **September 30, 2023** **March 31, 2024**, we had no purchase obligations for major rig upgrades or any other significant obligations, except for those related to our direct rig operations, which arise during the normal course of business.

Services Agreement. In February 2016, we entered into a ten-year agreement with a subsidiary of Baker Hughes Company (formerly named Baker Hughes, a GE company) to provide services with respect to certain blowout preventer and related well control equipment (or Well Control Equipment) on our drillships. Such services include management of maintenance, certification and reliability with respect to such equipment. **Commitments** **Future commitments** under the contractual services agreements are estimated to be approximately **\$27.0** **25.6** million annually. Total future commitments are projected to be **\$88.1** million in **2023**. the aggregate over the remaining term of the agreement, including a **\$37.0** million commitment for the purchase of consumables and capital spare parts owned and controlled by the vendor at the end of the service arrangement.

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

Letters of Credit and Other. As of **September 30, 2023** **March 31, 2024**, an aggregate of **\$18.8** **14.0** million in bonds and letters of credit had been issued on our behalf in connection with certain customs, tax assessment and tenant security deposit requirements. Of this amount, approximately **\$16.8** **12.1** million had been cash collateralized as of **September 30, 2023** **March 31, 2024**. An additional **\$1.9** million was collateralized by a letter of credit issued under our **Amended** RCF, which cannot require additional collateral except in events of default, or until its maturity in May 2024, if not replaced.

8. Income Taxes **Ocean GreatWhite** Insurance Claim

We account for income taxes. On February 1, 2024, the **Ocean GreatWhite** reported an equipment incident while located in interim periods in accordance with FASB Accounting Standards Codification Topic No. 740, *Income Taxes*, which

requires us to estimate our annual effective tax rate (or AETR) for continuing operations by considering our forecasted pre-tax income or loss for the full year in each North Sea well of the various jurisdictions in which we operate. Shetland Islands. The AETR is then applied to our current pre-tax income or loss, as adjusted, when estimating our income tax benefit or expense for the interim period. We exclude discrete tax adjustments rig's lower marine riser package (or LMRP) and deployed riser string unintentionally separated from the computation rig at the slip joint tensioner ring, and the LMRP and riser dropped to the seabed. Since the incident, we have been working closely with our customer and local authorities in response and have pursued efforts to recover the equipment and replace missing or damaged equipment. We have safely recovered the LMRP from the seabed and are in a repair facility in Kishorn port, where repairs to the LMRP and any related work are underway.

As of the AETR date of this report, \$19.1 million of incremental recovery and record such adjustments repair and maintenance costs have been incurred, as well as \$2.6 million in the quarter in which they occur.

We recorded a capital expenditures. At March 31, 2024, we had retired assets with an aggregate net income tax expense book value of \$125.4 3.3 million. We anticipate that the repairs and equipment replacement will be covered by our hull and machinery insurance policy and that all incremental costs, less our \$10.0 million and income tax benefit deductible, will be reimbursable under that policy. At March 31, 2024, we had recorded an insurance receivable in the amount of \$143.3 11.7 million for the three-month aggregate expenditures, less the deductible, as of that date. However, we cannot fully predict the extent of such insurance coverage or the timing of such claims. We had not received any proceeds from insurance as of March 31, 2024. In addition, we will be required to pay an additional loss premium of up to 3.5% of net insurance proceeds received, payable after the claim is closed and nine-month periods ended September 30, 2023, respectively, inclusive of a net \$14.5 million additional tax expense with respect to prior years' operations in Egypt upon final judgment by the Egyptian tax court. The effective tax rates are the result of the mix of pre-tax income and loss across jurisdictions, including significant losses in jurisdictions with zero percent tax rates resulting in no benefit. The impact is compounded by the amount of our year-to-date pre-tax loss. all proceeds known.

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9. (Loss) Earnings Per Share

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

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

Three Months Ended

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

	Nine Months Ended		Three Months Ended	
	September 30,		March 31,	
	2023	2022	2024	2023
Net income (loss) – basic and diluted numerator	100,9	(50,77		
	\$ 96	\$ 3)		
Net income – basic and diluted (numerator)			\$ 11,612	\$ 7,229
Weighted average shares – basic (denominator):	101,6	100,3		
	81	56	102,440	101,331
Dilutive effect of stock-based awards	2,575	—	2,300	2,605
Weighted average shares including conversions – diluted (denominator)	104,2	100,3		
	56	56	104,740	103,936

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

The computation of EPS for the nine-month period three-month periods ended September 30, 2023 March 31, 2024 and the three-month period ended September 30, 2022 March 31, 2023 excluded non-vested stock-based awards of 166,283,981 shares and 103,939,349,784 shares, respectively, as the inclusion of such would have been antidilutive for the periods.

As of September 30, 2023 March 31, 2024, we had 7.5 million stock warrants outstanding (or Warrants) to purchase shares of our common stock that were exercisable for one share of common stock per warrant Warrant at an exercise price of \$29.22 (subject to adjustment). The Warrants are exercisable until they expire on April 23, 2026. The presumed exercise of these Warrants into shares of our common stock would have an antidilutive effect as the exercise price per warrant exceeded the average price of our common stock and they have been excluded from the computation of EPS for all periods presented.

10. Segments and Geographic Area Analysis

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

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Our drilling rigs are highly mobile and may be moved to other markets throughout the world in response to market conditions or customer needs. At **September 30, 2023** **March 31, 2024**, our active drilling rigs were located offshore four countries in addition to the United States. Revenues by geographic area are presented by attributing revenues to the individual country where the services were performed during the periods presented, which may not be indicative of where the rigs are currently located.

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

	Three Months Ended September 30, 2023			Three Months Ended March 31, 2024				
	Total	Related	Contract	Reimbursable	Total	Contract	Related to	
	Revenue	Expense	Drilling	Revenues	Drilling	Revenues	Expenses	Total
	es	s	Total					
United States	123,140	\$ 8,885	\$ 25	\$ 146,475	\$ 7,328	\$ 153,803		
United Kingdom	36,207	4,839	6	32,568	4,233	36,801		
Australia				27,360	2,463	29,823		
Brazil				26,570	—	26,570		

Senegal	29,36	32,90					
	5	3,539	4	25,797		1,816	27,613
Brazil	18,98	18,98					
	2	—	2				
Australia	17,23	20,00					
	5	2,766	1				
Total	224,9	244,9					
	\$ 29	\$ 20,029	\$ 58	\$ 258,770	\$ 15,840	\$ 274,610	

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

	Three Months Ended September 30, 2022			Three Months Ended March 31, 2023		
	Revenues			Revenues		
	Total	Related		Contract	Related to	
	Contract	to		Drilling	Reimbursable	
	Drilling	Reimbursable		Drilling	Reimbursable	
	Revenues	Expense		Revenues	Expense	Total
	es	s	Total	Revenues	Expenses	
	United States	\$ 0	\$ 26,917	\$ 104,581	\$ 12,557	\$ 117,138
United Kingdom	26,11		28,63			
Australia	1	2,520	1	17,702	1,060	18,762
Brazil				19,309	840	20,149
				20,660	—	20,660

Senegal	46,27	48,87					
	4	2,603	7	52,131		3,181	55,312
Brazil	21,56	21,56					
	4	—	4				
Australia	24,61	28,66					
	6	4,049	5				
Myanmar	326	123	449				
Total	189,8	226,0					
	\$ 61	\$ 36,212	\$ 73	\$ 214,383		\$ 17,638	\$ 232,021

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

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

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements (including the notes thereto) included in Item 1 of Part I of this report and Item 1A, "Risk Factors" included in our Annual

Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. References to "Diamond Offshore," "Company," "we," "us" or "our" mean Diamond Offshore Drilling, Inc., a Delaware corporation, and its subsidiaries.

We provide contract drilling services to the energy industry around the globe with a fleet of 14 12 floater rigs (four owned drillships, eight seven owned semisubmersibles and two one managed rigs) rig). See "– Market Overview."

Market Overview

During the first quarter of 2024, oil commodity prices remained elevated above their 5-year average, primarily as a result of continued OPEC+ supply restraint, muted production growth in the United States, strong growth in oil demand and expanding manufacturing trends in the United States and China signaling global economic improvements. Oil and natural gas benchmark prices are expected to remain volatile as geopolitical uncertainty resulting from conflicts in Russia/Ukraine and the Middle East may affect supply and demand. Brent crude prices reached the high \$80- to low \$90-per barrel range in mid-April 2024, which are the highest levels reached since October 2023. This rebound represents an approximate 20% increase since the beginning of the year, according to pricing data published by the U.S. Energy industry fundamentals continue to support the global growth cycle in our business. Commodity prices rose substantially during the third quarter are expected to remain at levels that are supportive of 2023, as the focus on energy security investment in deepwater exploration and OPEC+ actions interacted with strong oil demand. As of mid-April 2024, dated Brent crude oil prices increased approximately 29% during for the quarter, closing remainder of 2024 and 2025 were in the mid-\$90 per barrel range. Potential further upside in commodity prices remains, as significant draws in both U.S. and OECD inventories have driven global inventories of petroleum and other liquids stocks to their lowest levels in 20 years, low-to-middle \$80-per-barrel range according to industry reports. An expansion data.

In the first quarter of conflict 2024, growth in the Middle East may result in offshore upstream capital expenditures continued to be supported by strong cash flows realized by oil supply disruptions and cause further volatility in commodity prices. gas companies, continued expectations for growing demand, and breakeven costs well below current oil price forecasts. According to industry data, reports, analysts expect offshore upstream capital expenditures to increase approximately 25 percent 3.3% annually, on average, from 2024 to 2027, rising to more than \$230 billion by 2027, with exploration growing to approximately 12% of oil production in the third capital expenditure total.

During the first quarter of 2023 came from 2024, the Middle East. Against this backdrop of robust commodity prices, industry experts believe that the oil and gas industry is staged for a meaningful increase of approximately 30% in greenfield capital commitments in 2023 versus 2022, with current projections estimating approximately \$171 billion in 2023 greenfield upstream projects, of which 60% is attributable to offshore projects. With approximately \$90 billion sanctioned thus far, 95% of the remaining \$9 billion to be sanctioned has a breakeven oil price of less than \$40 per barrel.

The positive dynamics of increased offshore spending, coupled with the growing trend in long-cycle developments, production capacity expansions and the push for diversity of commodity supply continue exploration and appraisal activities, continued to drive improving growth in demand for floating drilling rigs as demonstrated in the increased volume of incoming tenders for floating rigs. According to industry reports, on a trailing three-month basis, the volume of floating rig years

contracted has grown month over month from November 2023 through February 2024, reaching its highest level since February 2023. According to data from S&P Global, incoming in mid-April 2024 outstanding demand from floating rig tenders for the first nine months was approximately 56 rig years, compared to 42 rig years a year earlier, representing an increase of 2023 as measured more than 33%. Most of this demand was concentrated in rig-years of demand represent the highest levels since 2012. This increase in recent tendering activity continues to build visibility for deepwater rig demand, supported by the increased duration and lead times from contract award to commencement of service for floater contracts signed so far in 2023, as operators become more willing to commit to longer periods for deepwater drilling capacity. According to industry analysts, lead times and duration for drillship contracts signed in 2023 year to date were 0.8 years and 1.5 years, respectively, which represent levels not seen since 2013. Several multi-year multi-rig tenders have come to market for the Golden Triangle (a common reference for the deepwater and ultra-deepwater regions of the Gulf of Mexico, southeast Brazil and West Africa) with commencement dates Africa, which are areas where we currently operate. The recent improvement in 2025 and 2026, which will further increase the average lead time and duration of contracts booked once these tenders are concluded.

The strong demand for deepwater drilling rigs continues to support increasing rates and utilization contracting activity has pushed dayrates for ultra-deepwater drilling rigs with current dayrates in into the mid \$400,000 high \$400 to low \$500 thousand per day range, and marketed utilization approaching 95%. Combined range.

This robust dayrate market, combined with the longer duration and lead times of recent tenders, these factors have resulted in compelling economics for rig reactivations, with idle capacity continuing to enter the market. The return of idle capacity to the market may adversely affect utilization and dayrates. While there is a possibility for additional stranded rigs to enter the market, the remaining inventory of idle rig capacity has decreased significantly and the owners of this capacity have exhibited capital discipline as it relates to reactivations. The anticipated growth in upstream capital spending, continues to drive further increases in rig demand and may mitigate improves the long-term impact of future economics for rig reactivations. Further, However, supply chain constraints and inflationary pressures could limit the pace at which these additional rigs could return to the market, with some analysts estimating the average time for rig reactivations of to be approximately 12 to 18 months, at with costs approaching \$100 million for idle rigs and \$350 million for stacked stranded rigs. The current inventory of idle rig capacity has decreased significantly and stranded assets, respectively, as of the date owners of this report. remaining capacity have so far exhibited capital discipline as it relates to reactivation investments; however, the market could be adversely affected by the re-entry of this limited idle capacity.

Despite policy tightening by major central banks and a moderating pace of world economic expansion, inflationary pressures remain have generally remained elevated which in the industry sector, though recent trends indicate possible moderation in some areas. Continued inflation may result in continued upward pressure on operating expenses for offshore drillers.

In addition to market factors, during the first quarter of 2024, customer capital allocation decisions will continue have continued to affect demand for our services. Customer investment mixes over time, coupled with energy demand and regulatory measures, could adversely impact demand for offshore drilling services in the long term. Notwithstanding this possibility, during the first quarter, global energy demand continues continued to be strong and energy supply growth remains remained constrained. We expect increased investment in both traditional and renewable sources of energy to be required in the future, much some of which we expect to be invested in finding and producing hydrocarbons in the offshore segment.

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Industry experts continue to expect oil the world's demand for energy will increase and gas that hydrocarbons will continue to remain serve a major role in meeting the largest sources of global world's energy in needs for the foreseeable future.

See “— Contract Drilling Backlog” for future commitments of our rigs during the remainder of 2023 2024 through 2027, 2028.

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Contract Drilling Backlog

We believe that our contract drilling backlog provides a useful indicator of our future revenue-earning opportunities. Our contract drilling backlog, as presented below, includes only firm commitments (typically represented by signed contracts) and is calculated by multiplying the contracted operating dayrate by the firm contract period. The contract period is based on the number of stated days for fixed-term contracts or an estimated duration (in days) for contracts based on a fixed number of wells. Our calculation also assumes full utilization of our drilling equipment for the contract period (excluding scheduled shipyard and survey days); however, the amount of actual revenue earned and the actual periods during which revenues are earned may be different than the amounts and periods shown in the tables below due to various factors. Our utilization rates, which generally have been in the range of 92-98% during contracted periods, can be adversely impacted due to various operating factors including unscheduled repairs and maintenance, weather conditions, and other factors.

Contract drilling backlog excludes revenues for mobilization, demobilization, contract preparation and customer reimbursables. Revenue is generally not earned during periods of downtime for regulatory surveys; however, certain contracts may provide for reduced revenue during the survey period. Changes in our contract drilling backlog between periods are generally a function of the performance of work on term contracts, as well as the extension or modification of existing term contracts and the execution of additional contracts. In addition, under certain circumstances, our customers may seek to terminate or renegotiate our contracts, which could adversely affect our reported backlog.

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

The following table reflects our contract drilling backlog as of **October 1, 2023** **April 1, 2024** (based on information available at that time), **January 1, 2023** **January 1, 2024** (the date reported in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**), and **October 1, 2022** **April 1, 2023** (the date reported in our Quarterly Report on Form 10-Q for the quarter ended **September 30, 2022** **March 31, 2023**) (in millions).

	October 1, 2023 ⁽¹⁾	January 1, 2023 ⁽¹⁾	October 1, 2022 ⁽¹⁾ ⁽²⁾
Contract Drilling Backlog	\$ 1,406	\$ 1,788	\$ 1,596
	April 1, 2024	January 1, 2024	April 1, 2023
Contract Drilling Backlog ⁽¹⁾	\$ 1,877	\$ 1,424	\$ 1,596

⁽¹⁾ Includes contract backlog of **\$156.3 million** **\$50.7 million**, **\$307.7 million** **\$117.6 million** and **\$300.8 million** **\$256.8 million** at **October 1, 2023** **April 1, 2024**, **January 1, 2023** **January 1, 2024** and **October 1, 2022** **April 1, 2023**, respectively, attributable to customer drilling contracts secured for rigs managed, but not owned, by us. We entered into the drilling contracts directly with the customer and will receive and recognize revenue under the terms of the contract. Pursuant to the terms The marketing arrangements for each of our managed rigs were terminated in 2023, and the charter agreement with the rig owner, we will realize a gross margin equivalent to our management and marketing fee.

⁽²⁾ Previously reported contract backlog at October 1, 2022 included \$73.4 million attributable to the term of a contract for the **Ocean Patriot** **West Auriga** was terminated in February 2024. The Company received notice of termination of the management agreement for the **West Vela** in April 2024, which will become effective after 90 days. The termination of

the customer executed management agreement will have no effect on the bareboat charter agreement for the West Vela, which provides that it will continue in accordance with its right to terminate terms until the completion of the rig's existing drilling contract. contract and any option periods.

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The following table reflects the amount of revenue related to our contract drilling backlog by year as of **October 1, 2023** **April 1, 2024** (in millions).

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

	For the Year Ending December 31,					
	Total	2024 ⁽¹⁾	2025	2026	2027	2028
	\$	\$	\$	\$	\$	\$
Contract Drilling Backlog ⁽²⁾	\$ 1,877	\$ 662	\$ 552	\$ 471	\$ 190	\$ 2

⁽¹⁾ Represents the three-month nine-month period beginning **October 1, 2023** **April 1, 2024**.

⁽²⁾ Includes contract backlog of \$71.7 million and \$84.6 million \$50.7 million in the remainder of 2023 and in 2024, respectively, attributable to customer drilling contracts contract secured for two rigs the managed rig West Vela under an arrangement with an offshore drilling company (or the MSA MMSA) whereby we provide management services for certain of its rigs. the rig.

The following table reflects the percentage of rig days per year committed as of **October 1, 2023** **April 1, 2024**. The percentage of rig days committed is calculated as the ratio of total days committed under contracts, as well as scheduled shipyard, survey and mobilization days for all rigs in our fleet, to total available days (number of rigs, including cold-stacked rigs, multiplied by the number of days in a particular year).

For the Years Ending December 31,	

	2023 ⁽¹⁾	2024	2025	2026	2027
Percentage of Rig Days Committed ⁽²⁾	77 %	54 %	11 %	8 %	8 %
	For the Year Ending December 31,				
	2024 ⁽¹⁾	2025	2026	2027	2028
Percentage of Rig Days Committed ⁽²⁾	88 %	48 %	41 %	23 %	<1%

⁽¹⁾ Represents the three-month nine-month period beginning October 1, 2023 April 1, 2024.

⁽²⁾ As of October 1, 2023 April 1, 2024, includes approximately 95 220 rig days currently known and scheduled for shipyard projects, including capital upgrades, surveys and contract preparation activities for the remainder of 2023. 2024.

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

Regulatory Surveys and Planned Downtime. We perform certain regulatory inspections, which we refer to as a special survey, that are due every five years for most of our rigs and an intermediate survey, which is performed every two-and-one-half years, for our North Sea rigs. Our operating income is negatively impacted when we perform these required regulatory surveys due to planned downtime during the inspection period. Our operating income is also reduced by planned downtime for upgrades, contract preparation and mobilization of rigs; however, in some cases, we may be compensated for all or a portion of this downtime. During the remainder of 2023, 2024, we expect to incur approximately 95 220 days of planned downtime, including approximately 61 (i) 100 days for capital modifications, contract preparation a shipyard project, as well as mobilization and acceptance testing demobilization activities for the Ocean Courage, BlackRhino approximately 17; (ii) 70 days for contract preparation and mobilization activities for the Ocean BlackHawk GreatWhite, and approximately 17's lower marine riser package (or LMRP) repairs; (iii) 25 days for standby, the Ocean Endeavor's blowout preventer (or BOP) recertification; (iv) 20 days for the Ocean BlackHornet's special survey and (v) five days for the Ocean Apex's mobilization or demobilization of rigs between well sites. activities. We can provide no assurance as to the exact timing and/or duration of downtime associated with regulatory inspections, repairs, contract preparation, rig mobilizations and other shipyard projects. See " Contract Drilling Backlog."

Physical Damage and Marine Liability Insurance. Under our primary insurance policies, which renewed effective May 1, 2024, we carry \$50.0 million of U.S. Named Windstorm Coverage, as defined by the relevant insurance policy, for physical damage to our property and equipment with a \$10.0 million deductible per accident or occurrence. We are self-insured for physical damage to rigs and equipment caused by named windstorms in the U.S. Gulf of Mexico as defined by the relevant insurance policy, in excess of \$50.0 million. If a named windstorm in the U.S. Gulf of Mexico causes significant damage to our rigs or equipment, it could have a material adverse effect on our results of operations, financial condition, and cash flows. Under our current insurance policy, we carry physical damage insurance for certain losses other than those caused by named windstorms in the U.S. Gulf of Mexico for which our deductible for physical damage is \$10.0 million per

occurrence. In addition, we currently carry loss-of-hire insurance on certain of our owned rigs to cover a portion of lost cash flow when a rig is damaged, (other than when caused by which is a recoverable claim under the physical damage insurance but excludes named windstorms in the U.S. Gulf of Mexico).

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

Depending on the nature, severity, and frequency of claims that might arise during the policy year, if the aggregate level of claims exceeds certain thresholds, we may self-insure up to \$100.0 million for each subsequent occurrence.

Critical Accounting Policies

Our significant accounting policies are discussed in Note 1 "General Information" of our notes to the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Results of Operations

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

Our operating results for contract drilling services are dependent on three primary metrics or key performance indicators: revenue-earning (or R-E) days, rig utilization and average daily revenue. We believe that R-E days provide a comparative measurement of the activity level of our fleet, rig utilization is an indicator of our ability to secure work for and the operational efficiency of our fleet and average daily revenue provides a comparative measure for our revenue-earning performance. We utilize these performance indicators in the review of our business and operating results and believe these

are useful metrics for investors to utilize in evaluating our performance. The tables presented below include these three key performance indicators and other comparative data relating to our revenues and operating expenses for the respective periods (in thousands, except days, daily amounts and percentages) for the three-month periods ended **September 30, 2023** **March 31, 2024**, **December 31, 2023** and **June 30, 2023** and the nine-month periods ended **September 30, 2023** and **September 30, 2022** **March 31, 2023**.

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Results for the Three-Month Periods Ended **September 30, 2023 **March 31, 2024**, **December 31, 2023** and **June 30, 2023** **March 31, 2023****

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

Loss on extinguishment of long-term debt	(6,529)	—
Other, net	(485)	136
Loss before income tax benefit	(19,580)	(4,342)
Income tax (expense) benefit	(125,436)	243,125
NET (LOSS) INCOME	\$ (145,016)	\$ 238,783

	Three Months Ended		
	March 31,	December 31,	March 31,
	2024	2023	2023
Revenue-Earning Days (1)	849	886	789
Utilization (2)	68 %	69 %	63 %
Average daily revenue (3)	\$ 305,000	\$ 315,800	\$ 271,700
 Revenues:			
Contract drilling	\$ 258,770	\$ 279,681	\$ 214,383
Revenues related to reimbursable expenses	15,840	17,956	17,638
Total revenues	274,610	297,637	232,021
 Operating expenses:			
Contract drilling, excluding depreciation	184,205	188,803	173,490
Reimbursable expenses	15,266	17,304	17,213
Depreciation	31,354	27,705	27,906
General and administrative	18,576	19,190	19,585
Loss (gain) on disposition of assets	3,396	(280)	(1,213)
Total operating expenses	252,797	252,722	236,981
Operating income (loss)	21,813	44,915	(4,960)
 Other income (expense):			
Interest income	1,774	1,464	7
Interest expense	(15,346)	(14,847)	(12,040)
Foreign currency transaction gain (loss)	231	(2,863)	(1,271)
Other, net	(71)	(54)	(152)
Income (loss) before income tax benefit	8,401	28,615	(18,416)
Income tax benefit (expense)	3,211	(174,317)	25,645
Net income (loss)	\$ 11,612	\$ (145,702)	\$ 7,229

- (1) An R-E day is defined as a 24-hour period during which a rig earns a dayrate after commencement of operations a excludes mobilization, demobilization and contract preparation days.
- (2) Utilization is calculated as the ratio of total R-E days divided by the total calendar days in the period for all rigs in our fleet (including managed and cold-stacked rigs).
- (3) Average daily revenue is defined as total contract drilling revenue for all of the rigs in our fleet (including managed rigs) per R-E day.

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

Contract Drilling Revenue. Contract drilling revenue decreased \$40.1 million \$20.9 million during the three months ended September 30, 2023 March 31, 2024 compared to the three months ended June 30, 2023 December 31, 2023, primarily due to lower average daily revenue earned (\$9.2 million), combined with a 155-day 37-day decrease in R-E days (\$46.3 11.7 million), partially offset by the favorable impact of higher.

The decrease in average daily revenue earned (\$6.2 million). Results for during the third first quarter of 2024, compared to the fourth quarter of 2023, included \$4.3 million was primarily due to the absence of incremental revenue recognized in revenue associated the fourth quarter of 2023 related to favorable settlements with customers regarding equipment issues and non-productive time, which had occurred earlier in 2023, performance bonuses for the Ocean BlackHawk and Ocean BlackRhino and an early termination of a second well option program for fee received by the Ocean Apex.

R-Edays decreased during the third first quarter of 2023, compared to the second quarter of 2023, 2024, primarily due to downtime associated with as a shipyard project for result of the Ocean BlackHawk GreatWhite prior being out of service and in shipyard for repairs due to the rig's mobilization to LMRP incident (60 fewer R-E days), termination of the U.S. Gulf managed services agreement and charter of Mexico (or GOM) for a one-year contract (86 the West Auriga (30 fewer days), the warm stacking of the Ocean Patriot between contracts (88 (29 fewer R-E days) and an aggregate net decrease in R-E days incremental downtime for repairs for other rigs in our fleet (22 (14 fewer R-E days). The decrease in R-E days was partially offset by incremental operating days nearly full-quarter operations for the Ocean Apex Courage (41 and Ocean BlackHawk in 2024 (96 incremental days), which was in a shipyard for a special survey and regulatory and other upgrades during compared to the second quarter of 2023.

Revenue Related to Reimbursable Expenses. During the third fourth quarter of 2023 we recognized gross reimbursable revenue and expenses when both rigs completed shipyard projects in advance of \$20.0 million, including \$2.1 million earned under the MSA. Gross reimbursable revenue and expenses for the second quarter of 2023 were \$16.6 million, of which none was earned under the MSA. their current contracts.

Contract Drilling Expense, Excluding Depreciation. Contract drilling expense, excluding depreciation decreased \$31.0 million \$4.6 million during the third first quarter of 2024, compared to the fourth quarter of 2023. Lower expense in the 2024 period was primarily due to reduced charter costs for the managed rigs (\$13.0 million), as well as lower other operating expense for the *West Auriga*, primarily due to the termination of the rig's MMSA at the end of February 2024 (\$5.3 million) and the absence of expense associated with an annual efficiency bonus recognized in the fourth quarter of 2023 related to a services agreement for certain well control equipment on our drillships (\$6.0 million). The reduction in costs between periods was partially offset by higher operating expenses for the *Ocean BlackHawk* and *Ocean Courage* (\$10.6 million), which operated under contract for nearly a full quarter in 2024, compared to being in shipyard during portions of the second fourth quarter of 2023, and was primarily \$7.6 million in non-recoverable expense (or a portion of the insurance deductible) associated with repairs for the *Ocean GreatWhite* attributable to the absence of mobilization costs associated with LMRP incident and a net increase in operating expense for the mobilization of the other rigs in our fleet (\$1.5 million). *Ocean BlackHawk* from Senegal to a shipyard in the Canary Islands in the second quarter, combined with the deferral of contract preparation costs associated with the rig being readied for its new contract in the GOM.

Loss on Extinguishment disposition of Long-Term Debt. assets. Concurrent with our issuance of \$550 million aggregate principal amount of new debt in September 2023, we repaid all our previously outstanding debt and amended our revolving credit facility to reduce the borrowing capacity thereunder. We recognized recorded a \$6.5 million net loss on extinguishment disposition of debt, primarily related to assets of \$3.4 million for the retirement first quarter of 2024, which included \$2.4 million in non-recoverable expense (or a portion of our then existing debt at a premium (\$3.4 million) and the write off of deferred issuance costs related to insurance deductible) associated with capital repairs for the retired debt and reduction in borrowing capacity (\$3.1 million) *Ocean GreatWhite*.

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

We recorded a net income tax expense benefit of \$125.4 million \$3.2 million for the three months ended September 30, 2023 March 31, 2024. For the three months ended June 30, 2023 December 31, 2023, we recorded a net income tax benefit expense of \$243.1 million. \$174.3 million. The effective tax rate for the quarter ended September 30, 2023 is a result of March 31, 2024 resulted from the mix of pre-tax income and loss across jurisdictions, including significant losses increased profitability in jurisdictions with zero percent which rigs are currently operating, and the effect of discrete items, specifically a benefit on remeasurement of uncertain tax rates resulting positions in no tax benefit. Egypt.

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

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

Nine Three Months Ended September 30, 2023 **March 31, 2024** Compared to **Nine Three Months Ended September 30, 2022** **March 31, 2023**

Contract Drilling Revenue. Contract drilling revenue increased \$187.3 million \$44.4 million during the nine months ended September 30, 2023 March 31, 2024 compared to the nine months ended September 30, 2022. Comparing the periods, the increase in contract drilling revenue was the result of March 31, 2023, primarily due to higher average daily revenue earned (\$151.8 28.2 million), combined with in addition to a 155-day 60-day increase in R-E days (\$35.5 16.2 million).

Average daily revenue for earned during the nine months ended September 30, 2023 first quarter of 2024 increased, compared to the prior year period, first quarter of 2023, primarily due to higher dayrates earned by several rigs in the *Ocean BlackHornet* and *West Auriga*, fleet, which operated under new contracts or extensions that commenced after the first quarter of 2023.

R-E days increased during the first quarter of 2024, compared to the first quarter of 2023, at higher dayrates than those earned primarily due to incremental operating days for the *Ocean Endeavor*, which completed shipyard repairs in the same first quarter of 2023, and the *West Vela*, which was warm stacked between contracts during the first quarter of 2023 (105 incremental days). The increase in R-E days during the 2024 period was partially offset by a net increase in downtime for repairs (20 fewer R-E days), the warm-stacking of 2022. Contract drilling revenue rigs between contracts (26 fewer R-E days) and termination of the MMSA for the nine months ended September 30, 2023 also included revenue for *West Auriga* (23 fewer R-E days). Comparing the quarters, the *Ocean GreatWhite* and *West Vela*, which commenced drilling operations after the third quarter of 2022, as well as \$16.5 million in revenue related to the early termination of drilling contracts for the *Ocean Patriot* and the *Ocean Apex*.

The increase in R-E days for the first nine months of 2023, compared to the first nine months of 2022, was the result of had achieved 24 incremental R-E days prior to going out of service for the *Ocean GreatWhite* (183 days), and our two managed rigs (278 days). R-E days were partially reduced by downtime associated with the completion of contracts and subsequent cold stacking repairs as a result of the *Ocean Onyx* (192 fewer days) and the *Ocean Monarch* (82 fewer days), as well as an aggregate reduction in R-E days for other rigs in our fleet (32 fewer days).

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

2024.

Contract Drilling Expense, Excluding Depreciation. Contract drilling expense, excluding depreciation increased \$125.8 million \$10.7 million during the nine months ended September 30, 2023 first quarter of 2024, compared to the same period first quarter of 2023 and reflected higher net expense for the managed rigs (\$5.8 million), primarily due to higher charter fees for both managed rigs, partially offset by lower repair and maintenance costs for the *West Vela*, and also included \$7.6 million in 2022. Higher non-recoverable expense (or a portion of the insurance deductible) associated with repairs for the *Ocean GreatWhite*. Comparing the periods, contract drilling expense was reduced by a net decrease in other operating costs across our owned rig fleet (\$2.7 million) during the first quarter of 2024.

Interest Expense. Interest expense increased \$3.3 million during the first quarter of 2024, primarily due to higher average debt outstanding compared to the first quarter of 2023. Interest expense for the first nine months quarter of 2023 2024 included incremental costs \$12.2 million in expense related to our \$550.0 million aggregate principal amount of senior secured second lien notes (or the *Ocean GreatWhite* Second Lien Notes), which commenced its first drilling contract post-reactivation bear interest at 8.5%, and the end amortization of associated debt issuance costs. During the first quarter incremental costs associated with the *Ocean Apex* shipyard project that commenced in March 2023, higher personnel-related and repair costs for our rigs offshore Senegal and contract drilling expense associated with two rigs managed under the MSA. Contract drilling expense for the 2023 period was favorably impacted by reduced expense for the *Ocean Onyx* and *Ocean Monarch*, which operated under contract for part of 2022 but are now cold-stacked.

Gain on Disposition of Assets. During the first nine months of 2023, we recognized incurred interest expense of \$8.8 million on weighted average debt outstanding of approximately \$354.0 million at an aggregate gain average interest rate of 9.5%, in addition to amortization of associated debt issuance costs and debt premium.

Loss (gain) on disposition of assets. We recorded a net loss on disposition of assets of \$4.1 million, primarily \$3.4 million for the first quarter of 2024, which included \$2.4 million in non-recoverable expense (or a portion of the insurance deductible) associated with capital repairs for the LMRP and related to equipment on the sale of surplus equipment. *Ocean GreatWhite*. During the first quarter of 2022, 2023, we sold the *Ocean Valor* for aggregate proceeds of approximately \$6.6 million and recognized a net \$1.2 million gain on the transaction disposition of \$4.2 million.

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

Loss on Extinguishment of Long-Term Debt. Concurrent with our issuance of \$550 million aggregate principal amount of new debt in September 2023, we retired all our previously outstanding debt and amended our revolving credit facility to

reduce the borrowing capacity thereunder. We recognized a \$6.5 million loss on extinguishment of debt, primarily related to the retirement of a portion of our then existing debt at a premium (\$3.4 million) and the write off of deferred issuance costs related to the retired debt and reduction in borrowing capacity (\$3.1 million). surplus equipment.

Income Tax Benefit. We recorded a net income tax benefit of \$143.3 million \$3.2 million for the nine three months ended September 30, 2023 March 31, 2024, inclusive of a net \$14.5 million additional \$12.2 million tax expense with respect to prior years' operations benefit on the revaluation of unrecognized tax liabilities in Egypt upon final judgment by due to the significant weakening of the Egyptian tax court. pound. For the nine three months ended September 30, 2022 March 31, 2023, we recorded a net income tax benefit of \$28.1 million \$25.6 million. The effective tax rate for the nine three months ended September 30, 2023 is a March 31, 2024 was the result of the mix of pre-tax income and loss across jurisdictions, including significant losses increased profitability in jurisdictions with zero percent which rigs are currently operating, and the effect of discrete items, specifically a benefit on remeasurement of uncertain tax rates resulting positions in no tax benefit. Egypt.

Liquidity and Capital Resources

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

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

April 22, 2026. See Note 6 "Long-Term Debt" to our unaudited condensed consolidated financial statements included in Item 1 of Part I of this report for a discussion of our Second Lien Notes.

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

At November 6, 2023 May 6, 2024, we had no borrowings outstanding under the Amended RCF, and a \$1.9 million letter of credit had been issued thereunder. As of November 6, 2023 May 6, 2024, approximately \$298.1 million was available for borrowings under the Amended RCF subject to its terms and conditions; however, the availability of borrowings under the Amended RCF is subject to the satisfaction of certain conditions as specified in our revolving credit agreement, including restrictions on borrowings. We have

There is no capacity for the issuance of new letters of credit under the RCF, but the RCF permits us to obtain up to \$50.0 million in capacity to issue letters of credit outside the RCF. We have obtained a \$25.0 million letter of credit facility; however, letters of credit thereunder must be cash collateralized.

Historically, we have relied on our cash flows from operations and cash reserves to meet our liquidity needs, which primarily include funding of our working capital requirements and capital expenditures, as well as the servicing of our debt repayments and interest payments. As of November 6, 2023 May 6, 2024, all of our rigs, excluding the managed rigs, rig, are

owned and operated, directly or indirectly, by Diamond Foreign Asset Company (or DFAC). Our management has determined that we will permanently reinvest foreign earnings, which restricts the ability to utilize cash flows of DFAC on a company-wide basis. To the extent possible, we expect to utilize the operating cash flows and cash reserves of DFAC and the operating cash flows available to and cash reserves of Diamond Offshore Drilling, Inc. to meet each respective entity's working capital requirements and capital commitments.

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

As of October 1, 2023 April 1, 2024, our contractual backlog was approximately \$1.4 billion \$1.9 billion. At September 30, 2023 March 31, 2024, we had cash of \$172.4 million \$169.2 million, including \$25.6 million \$6.8 million that is subject to restrictions pursuant to the MSA. MMSA.

Sources and Uses of Cash

Cash Flows and Cash Expenditures

For the nine-month three-month period ended September 30, 2023 March 31, 2024, our operating activities generated cash of \$20.2 million \$59.0 million. Cash receipts from contract drilling services (\$766.8 315.7 million) were partially offset by cash expenditures for contract drilling, shorebase support, and general and administrative costs (\$729.8 256.6 million) and placement of cash collateral related to certain tax matters (\$16.8 million).

Cash outlays for capital expenditures during the first nine three months of 2023 2024 aggregated \$99.9 million \$27.9 million, primarily related to long-lead items for the Ocean BlackRhino's shipyard projects project and equipment upgrades updates scheduled for several rigs in our fleet.

As discussed above, in the third quarter second half of 2023, we issued \$550.0 million of Second Lien Notes at par and used a portion of the proceeds to repay amounts outstanding under the Exit RCF, repay and terminate our Exit Term Loan Credit Facility and redeem in full the First Lien Notes (\$381.2 million). Costs associated with the issuance of the Second Lien Notes and amendment of the Exit RCF were \$15.1 million. During the first nine months of 2023, we 2024. We also made payments in connection with of \$4.3 million under finance lease obligations aggregating \$14.8 million related to well control equipment on our owned drillships.

For the nine-month three-month period ended September 30, 2022 March 31, 2023, our operating activities used cash of \$21.9 million \$8.2 million. Cash expenditures for contract drilling, shorebase support, and general and administrative costs (\$590.4 million) and cash income taxes paid, net of refunds (\$15.0 232.9 million), were partially offset by cash receipts from contract drilling services (\$566.0 217.0 million) and a net refund of cash income taxes (\$7.7 million), primarily in the U.S. tax jurisdiction, during the nine-month three-month period. In addition, collateral deposits aggregating \$17.5 million were exchanged for letters of credit drawn under the Exit RCF, positively impacting cash flow but with a neutral effect on total liquidity.

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Cash outlays for capital expenditures during the first nine months quarter of 2022 2023 aggregated \$42.7 million \$29.4 million (including capital outlays for the Ocean Endeavor and Ocean Patriot GreatWhite shipyard work) projects completed this year). We also paid \$11.8 million repaid \$15.0 million in outstanding draws under the RCF and made payments in connection with finance lease obligations aggregating \$4.1 million related to well control equipment on our owned drillships during the period. Asset sales, including the sale of drillships.

Ocean GreatWhite

On February 1, 2024, the *Ocean Valor* *GreatWhite*, generated reported an equipment incident while located in the North Sea west of the Shetland Islands. The rig's lower marine riser package ("LMRP") and deployed riser string unintentionally separated from the rig at the slip joint tensioner ring and the LMRP and riser dropped to the seabed. We have safely recovered the LMRP from the seabed and are in a repair facility in Kishorn port, where repairs to the LMRP and any related work are underway.

We anticipate that the LMRP incident will be covered by our hull & machinery insurance policy and that all incremental costs, less our \$10.0 million deductible, will be reimbursable under that policy. In addition, we carry loss-of-hire insurance on the *Ocean GreatWhite* to cover a portion of lost cash ~~proceeds~~ flow under certain circumstances. After a 60-day waiting period, our loss-of-hire insurance provides \$150,000 per day, for up to 180 days, for each day of ~~\$5.9 million~~ lost revenue as a result of a covered property loss claim. As of the date of this report, we estimate the cash flow impact of direct and incremental recovery, repairs and maintenance costs, and replacement capital expenditures, offset by loss of hire insurance, to be approximately \$25.0 million to \$30.0 million dollars. However, we ~~borrowed \$69.0 million under~~ cannot fully predict the ~~Exit RCF during~~ extent of such insurance coverage or the ~~first nine months~~ timing of 2022 such claims.

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Capital Expenditures and Other Projects

We have historically invested a significant portion of our cash flows in the enhancement of our drilling fleet and our ongoing rig equipment replacement and capital maintenance programs. The amount of cash required to meet our capital commitments is determined by evaluating the need to upgrade our rigs to meet specific customer requirements and our rig equipment enhancement, maintenance and replacement programs. We make periodic assessments of our capital spending programs based on current and expected industry conditions and our cash flow forecast. As of the date of this report, we expect total capital expenditures for ~~2023~~ ~~2024~~ to be approximately ~~\$130.0 million~~ ~~\$135.0 million~~ to ~~\$135.0 million~~ ~~\$145.0 million~~.

Contractual Obligations and Other Commercial Commitments

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

Twelve months ending September 30

Contractual Obligations	Total	2024	2025-2026	2027-2028	Thereafter
\$550 Million Second Lien Notes (principal and interest) ⁽¹⁾⁽²⁾	\$ 877,250	\$ 46,750	\$ 93,500	\$ 93,500	\$ 643,500
Total obligations	\$ 877,250	\$ 46,750	\$ 93,500	\$ 93,500	\$ 643,500

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

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

Other Obligations

As of **September 30, 2023** **March 31, 2024**, the amount of total net unrecognized tax benefits related to uncertain tax positions that could result in a future cash payment was **\$44.9 million** **\$40.3 million**. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities recognized in these balances, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Included in the balance is **\$17.3 million** **\$21.0 million** related to prior years' operations in Egypt.

Other Commercial Commitments - Letters of Credit

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

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Forward-Looking Statements

We or our representatives may, from time to time, either in this report, in periodic press releases or otherwise, make or incorporate by reference certain written or oral statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (or the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (or the Exchange Act). All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements include, without limitation, any statement that may project, indicate or imply future results, events, performance or achievements, and may contain or be identified by the words "expect," "intend," "plan," "predict," "anticipate," "estimate," "believe," "should," "could," "would," "may," "might," "will," "will be," "will continue," "will likely result," "project," "forecast," "budget" and similar expressions. In addition, any statement concerning future financial performance (including, without limitation, future revenues, earnings or growth rates), ongoing business strategies or prospects, and possible actions taken by or against us, which may be provided by management, are also forward-looking statements as so defined. Statements made by us in this report that contain forward-looking

statements may include, but are not limited to, information concerning our possible or assumed future results of operations and statements about the following subjects:

- market conditions and the effect of such conditions on our future results of operations;
- offshore exploration activity, future investment in hydrocarbons, future spending trends or growth, customer ca allocation and commitments, drilling contract duration trends, and customer spending programs and future project;
- sources and uses of and requirements for financial resources and sources of liquidity;
- environmental social and governance trends, practices and related matters;
- business plans or financial condition of our customers, including with respect to or as a result of the COVID pandemic;
- expectations regarding our plans and strategies;
- contractual obligations and future contract negotiations;
- future commodity prices and volatility, dayrates or utilization;
- market outlook;
- the transition to renewable energy sources and other alternative forms of energy;
- future energy demand and future demand for offshore drilling services;
- interest rate and foreign exchange risk global energy demand and the transition away from LIBOR; role hydrocarbons in meeting the world's energy needs;
- inflation;
- future economic trends, including interest rates and recessionary economic conditions;
- operations outside the United States;

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- geopolitical events and risks, including Russia's invasion of Ukraine and related sanctions, conflict in the Middle I including the armed conflict between Israel and Hamas, and related disruptions;
- business strategy;
- strategic initiatives;
- growth opportunities;
- competitive position including, without limitation, competitive rigs entering the market;
- expected financial position and liquidity;

- cash flows and contract backlog;
- sources and uses of and requirements for financial resources and sources of liquidity;
- idling drilling rigs or reactivating stacked or stranded rigs;
- outcomes of litigation and legal proceedings;
- declaration and payment of dividends;
- expectations regarding our plans and strategies;
- financing plans;
- any repayment, refinancing or restructuring of our outstanding indebtedness or other transaction regarding our capital structure or any offering of securities or other capital markets transaction;
- market outlook;
- inflation;
- future economic trends, including interest rates and recessionary economic conditions;

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- future commodity prices, dayrates or utilization;
- tax planning;
- cybersecurity;
- unionization efforts;
- changes in tax laws and policies or adverse outcomes resulting from examination of our tax returns;
- debt levels and the impact of changes in the credit markets, including interest rates;
- budgets for capital and other expenditures;
- contractual obligations related to our well control equipment services agreement interest rate and potential exercise of the purchase option at the end of the original lease term; foreign exchange risk;
- the MSA with an offshore drilling company and future management and marketing services thereunder; business plans or financial condition of our customers;
- duration and impacts of the COVID-19 pandemic, including new variants of the virus, lockdowns, re-openings and other related actions taken by businesses and governments on the offshore drilling industry and on our business operations, supply chain and personnel, financial condition, results of operations, cash flows and liquidity;
- the ESG trends, practices and related matters;
- tax planning and effects of the Inflation Reduction Act;
- changes in tax laws and policies or adverse outcomes resulting from examination of our former bankruptcy proceedings tax returns;
- contractual obligations related to our well control equipment services agreement and potential exercise of purchase option at the end of the original lease term;
- the MMSA and charters with an offshore drilling company and future management services thereunder;

- any response to the equipment incident on our operations, including our relationships with employees, regulatory authorities, customers, suppliers, banks, the Ocean GreatWhite, any related damage or environmental impact or efforts to recover equipment or replace any missing or damaged equipment;
- the estimated downtime, duration of repairs, cost of repairs and replacement capital, and the insurance companies claim, coverage and other third parties, estimated insurance recovery and agreements; costs as a result of the equipment incident on the Ocean GreatWhite;
- timing and duration of required regulatory inspections for our drilling rigs and other planned downtime;
- process and timing for acquiring regulatory permits and approvals for our drilling operations;
- timing and cost of completion of capital projects;
- delivery dates and drilling contracts related to capital projects;
- plans and objectives of management;
- sale or scrapping of retired rigs;

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- asset impairments and impairment evaluations;
- assets held for sale;
- our internal controls and internal control over financial reporting;
- performance of contracts;
- cybersecurity;
- unionization efforts;
- compliance with applicable laws; and
- availability, limits and adequacy of insurance or indemnification.

These types of statements are based on current expectations about future events and inherently are subject to a variety of assumptions, risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those expected, projected or expressed in forward-looking statements. These risks and uncertainties include, among others, those described or referenced in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Risk. From time-to-time, time to time, we may have exposure to interest rate risk on our debt instruments that may arise from changes in the level or volatility of interest rates. As of September 30, 2023 March 31, 2024, we had no variable rate debt outstanding. Our Second Lien Notes have been issued at fixed rates, and as such, interest expense would not be impacted by interest rate shifts.

There were no other material changes in our market risk components for the nine months ended September 30, 2023 March 31, 2024. See “Quantitative and Qualitative Disclosures About Market Risk” included in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for further information.

ITEM 4. Controls and Procedures.

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

Our Chief Executive Officer (or CEO) and Chief Financial Officer (or CFO) participated in an evaluation by our management of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules

13a-15(e) and 15d-15(e)) as of **September 30, 2023** **March 31, 2024**. Based on their participation in that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of **September 30, 2023** **March 31, 2024**.

There were no changes in our internal control over financial reporting identified in connection with the foregoing evaluation that occurred during our **third** **first** fiscal quarter of **2023** **2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

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

ITEM 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** includes a detailed discussion of certain material risk factors facing the Company. The risk factors included under Item 1A of our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** are incorporated herein by reference. No material changes have been made to such risk factors as of **September 30, 2023** **March 31, 2024**.

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

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

(c) During the three months ended September 30, 2023, in connection with the vesting of restricted stock units held by our officers and certain other employees, which were awarded under an equity incentive compensation plan, we acquired

shares of our common stock in satisfaction of tax withholding obligations that were incurred in connection with such vesting. The date of acquisition, number of shares and average effective acquisition price per share were as follows:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Acquired	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
			Plans or Programs	Plans or Programs
July 1, 2023 through July 31, 2023	240,236	\$ 14.93	N/A	N/A
August 1, 2023 through August 31, 2023	—	—	N/A	N/A
September 1, 2023 through September 30, 2023	—	—	N/A	N/A
Total	240,236	\$ 14.93	N/A	N/A

ITEM 5. Other Information.

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

(c) On March 4, 2024, Bernie Wolford, Jr., President and Chief Executive Officer, entered into a pre-arranged stock trading plan (the "Wolford 10b5-1 Plan"). The Wolford 10b5-1 Plan was entered into during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act and our policies regarding trading in our securities. The Wolford 10b5-1 Plan provides for the potential sale of up to 408,000 shares of the Company's common stock between June 3, 2024 and May 30, 2025, subject to the terms and conditions of the plan.

On March 4, 2024, Dominic A. Savarino, Senior Vice President and Chief Financial Officer, entered into a pre-arranged stock trading plan (the "Savarino 10b5-1 Plan"). The Savarino 10b5-1 Plan was entered into during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act and our policies regarding trading in our securities. The Savarino 10b5-1 Plan provides for the potential sale of up to 18,226 shares of the Company's common stock between June 3, 2024 and December 31, 2024, subject to the terms and conditions of the plan.

On March 4, 2024, David L. Roland, Senior Vice President, General Counsel and Secretary, entered into a pre-arranged stock trading plan (the "Roland 10b5-1 Plan"). The Roland 10b5-1 Plan was entered into during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) of the Exchange Act and our policies regarding trading in our securities. The Roland 10b5-1 Plan provides for the potential sale of up to 40,000 shares of the Company's common stock between June 3, 2024 and April 4, 2025, subject to the terms and conditions of the plan.

During the quarter ended **September 30, 2023** **March 31, 2024**, no other director or officer adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, in each case as such terms are defined in Item 408 of Regulation S-K.

ITEM 6. Exhibits.

Exhibit No.	Description of Exhibit
3.1	Fourth Amended and Restated Certificate of Incorporation of Diamond Offshore Drilling, Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 10, 2023).
3.2	Third Amended and Restated Bylaws of Diamond Offshore Drilling, Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 10, 2023).
4.1	Indenture, dated September 21, 2023, by and among Diamond Offshore Drilling, Inc., Diamond Foreign Asset Company, Diamond Finance, LLC, the other Guarantors party thereto, and HSBC Bank USA, National Association, as trustee and as collateral agent, relating to the 8.500% Senior Secured Second Lien Notes due 2030 (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on September 22, 2023).
10.1	Amended and Restated Collateral Agency and Intercreditor Form of 2024 Time-Vesting Restricted Stock Unit Award Agreement dated September 21, 2023, by and among Diamond Foreign Asset Company, Diamond Offshore Drilling, Inc., other grantors from time to time party thereto and HSBC Bank USA, National Association, as trustee and as collateral agent (incorporated by reference to Exhibit 10.1 10.23 to our Current Annual Report on Form 8-K 10-K filed on September 22, 2023 February 28, 2024).

10.2	Purchase Form of 2024 Executive Performance-Vesting Restricted Stock Unit Award Agreement dated as of September 12, 2023, between Diamond Foreign Asset Company, Diamond Finance, LLC, certain guarantors named therein and Goldman Sachs & Co. LLC, as representative of the initial purchasers (incorporated by reference to Exhibit 10.1 10.24 to our Current Annual Report on Form 8-K 10-K filed on September 13, 2023 February 28, 2024).
10.3**	Amendment to Credit Agreement, dated September 12, 2023, by and among Diamond Foreign Asset Company, Diamond Offshore Drilling, Inc., HSBC Bank USA, National Association, as administrative agent and as collateral agent, and the lenders and issuing lenders from time to time party thereto (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on September 13, 2023).
10.4	Agency Assignment Agreement and Master Assignment of Liens, dated as of August 10, 2023, by and among HSBC Bank USA, National Association, as successor administrative agent and collateral agent, Wells Fargo Bank, National Association, as resigning administrative agent and collateral agent, Diamond Offshore Drilling, Inc., Diamond Foreign Asset Company, the other loan parties named therein, the Revolving Credit Agreement lenders party thereto, and the Term Loan Agreement lenders party thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 11, 2023).
31.1*	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1*	Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer.
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE*	Inline XBRL Presentation Linkbase Document.
101.DEF*	Inline XBRL Definition With Embedded 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 the Exhibit 101 attachments).

* Filed or furnished herewith.

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

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SIGNATURES

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

DIAMOND OFFSHORE DRILLING, INC.

(Registrant)

Date November 7,
2023 May 8, 2024

By: /s/ Dominic A. Savarino

Dominic A. Savarino

Senior Vice President and Chief Financial Officer

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Exhibit 31.1

I, Bernie Wolford, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 c
Diamond Offshore Drilling, Inc.;

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

Date: November 7, 2023 May 8, 2024

/s/ Bernie Wolford, Jr.

Bernie Wolford, Jr.

President and Chief Executive Officer

Exhibit 31.2

I, Dominic A. Savarino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** c Diamond Offshore Drilling, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- 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.

Date: **November 7, 2023** **May 8, 2024**

/s/ Dominic A. Savarino

Dominic A. Savarino

Chief Financial Officer

Exhibit 32.1

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

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

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Dated: **November 7, 2023** **May 8, 2024**

/s/ Bernie Wolford, Jr.

Bernie Wolford, Jr.

President and Chief Executive Officer of the Company

/s/ Dominic A. Savarino

Dominic A. Savarino

Chief Financial Officer of the Company

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