

**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, 2021

OR

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

For the transition period from _____ to _____

Commission File Number 1-8097

Valaris Limited

(Exact name of registrant as specified in its charter)

Bermuda

(State or other jurisdiction of
incorporation or organization)

98-1589854

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

Clarendon House, 2 Church Street

Hamilton Bermuda

(Address of principal executive offices)

HM 11

(Zip Code)

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

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

<u>Title of each class</u>	<u>Ticker Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Shares, \$0.01 par value share	VAL	New York Stock Exchange
Warrants to purchase Common Shares	VAL WS	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-Accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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 ☒

As of October 28, 2021, there were 75,000,045 Common Shares of the registrant issued and outstanding.

VALARIS LIMITED
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2021

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FORWARD-LOOKING STATEMENTS

Statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "likely," "plan," "project," "could," "may," "might," "should," "will" and similar words and specifically include statements regarding expected financial performance; the impact of our emergence from bankruptcy; expected utilization, day rates, revenues, operating expenses, cash flows, contract terms, contract backlog, capital expenditures, insurance, financing and funding; the effect, impact, potential duration and other implications of the ongoing COVID-19 pandemic; the offshore drilling market, including supply and demand, customer drilling programs, stacking of rigs, effects of new rigs on the market and effects of declines in commodity prices; expected work commitments, awards and contracts; the timing of availability, delivery, mobilization, contract commencement or relocation or other movement of rigs and the timing thereof; future rig construction (including work in progress and completion thereof), enhancement, upgrade or repair and timing and cost thereof; the suitability of rigs for future contracts; performance of our joint venture with Saudi Arabian Oil Company ("Saudi Aramco"); expected divestitures of assets; general market, business and industry conditions, trends and outlook; future operations; the impact of increasing regulatory complexity; the outcome of tax disputes, assessments and settlements; dividends; expense management; and the likely outcome of litigation, legal proceedings, investigations or insurance or other claims or contract disputes and the timing thereof.

Such statements are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, particularly in light of uncertain market conditions, including:

- the ongoing COVID-19 pandemic, the related public health measures implemented by governments worldwide, the duration and severity of the outbreak and its impact on global oil demand, the volatility in prices for oil and natural gas and the extent of disruptions to our operations;
- downtime or temporary shutdown of operations of our rigs as a result of an outbreak of COVID-19 on one or more of our rigs;
- disruptions to the operations and business, as a result of the spread of COVID-19, of our key customers, suppliers and other counterparties, including impacts affecting our supply chain and logistics;
- disputes over production levels among members of the Organization of Petroleum Exporting Countries and other oil and gas producing nations ("OPEC+"), which could result in increased volatility in prices for oil and natural gas that could affect the markets for our services;
- decreases in levels of drilling activity and capital expenditures by our customers, whether as a result of the global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;
- delays in contract commencement dates or cancellation, suspension, renegotiation or termination (with or without cause, including those due to impacts of the COVID-19 pandemic) of drilling contracts or drilling programs as a result of general and industry-specific economic conditions, mechanical difficulties, performance or other reasons;
- the occurrence of cybersecurity incidents, attacks or other breaches to our information technology systems, including our rig operating systems;
- increased scrutiny from regulators, market and industry participants, stakeholders and others regarding our Environmental, Social and Governance (ESG) practices and reporting responsibilities;
- the costs, disruption and diversion of our management's attention associated with campaigns by activist securityholders;
- potential additional asset impairments;

- the adequacy of sources of liquidity for us and our customers;
- the impact of our emergence from bankruptcy on our business and relationships and comparability of our financial results, as well as the dilutive impacts of warrants issued pursuant to the plan of reorganization;
- the reaction of our customers, prospective customers, suppliers and service providers to our bankruptcy and our emergence from chapter 11;
- our customers, in response to reduced oil price expectations, cancelling or shortening the duration of our drilling contracts, cancelling future drilling programs and seeking pricing and other contract concessions from us;
- our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to labor regulations, unionization, or otherwise, or to retain employees as a result of the imposition of further public health measures due to the COVID-19 pandemic, or as a result of our financial condition generally;
- internal control risk due to significant employee reductions and changes in management;
- changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild drilling rigs and governmental policies that could reduce demand for hydrocarbons, including mandating or incentivizing the conversion from internal combustion engine powered vehicles to electric-powered vehicles;
- downtime and other risks associated with offshore rig operations, including rig or equipment failure, damage and other unplanned repairs, the limited availability of transport vessels, hazards, self-imposed drilling limitations and other delays due to severe storms and hurricanes and the limited availability or high cost of insurance coverage for certain offshore perils, such as hurricanes in the Gulf of Mexico or associated removal of wreckage or debris;
- governmental action, terrorism, cyber-attacks, piracy, military action and political and economic uncertainties, including civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas of the Middle East, North Africa, West Africa or other geographic areas, which may result in expropriation, nationalization, confiscation or deprivation or destruction of our assets; or suspension and/or termination of contracts based on force majeure events or adverse environmental safety events;
- risks inherent to shipyard rig construction, repair, modification or upgrades, unexpected delays in equipment delivery, engineering, design or commissioning issues following delivery, or changes in the commencement, completion or service dates;
- our ability to enter into, and the terms of, future drilling contracts, including contracts for our newbuild rigs and acquired rigs, for rigs currently idled and for rigs whose contracts are expiring;
- any failure to execute definitive contracts following announcements of letters of intent, letters of award or other expected work commitments;
- the outcome of litigation, legal proceedings, investigations or other claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, and any renegotiation, nullification, cancellation or breach of contracts with customers or other parties;
- governmental regulatory, legislative and permitting requirements affecting drilling operations, including limitations on drilling locations (such as the Gulf of Mexico during hurricane season), limitations on new oil and gas leasing in U.S. federal lands and waters, and regulatory measures to limit or reduce greenhouse gas emissions;
- potential impacts on our business resulting from climate-change or greenhouse gas legislation or regulations, and the impact on our business from climate-change related physical changes or changes in weather patterns;

- new and future regulatory, legislative or permitting requirements, future lease sales, changes in laws, rules and regulations that have or may impose increased financial responsibility, additional oil spill abatement contingency plan capability requirements and other governmental actions that may result in claims of force majeure or otherwise adversely affect our existing drilling contracts, operations or financial results;
- environmental or other liabilities, risks, damages or losses, whether related to storms, hurricanes or other weather-related events (including wreckage or debris removal), collisions, groundings, blowouts, fires, explosions, other accidents, terrorism, cyber-attacks or otherwise, for which insurance coverage and contractual indemnities may be insufficient, unenforceable or otherwise unavailable;
- tax matters, including our effective tax rates, tax positions, results of audits, changes in tax laws, treaties and regulations, tax assessments and liabilities for taxes;
- our ability to realize the expected benefits of our joint venture with Saudi Aramco, including our ability to fund any required capital contributions or to enforce any payment obligations of the joint venture pursuant to outstanding shareholder notes receivable;
- economic volatility and political, legal and tax uncertainties following the U.K. exit from the European Union; and
- adverse changes in foreign currency exchange rates, including their effect on the fair value measurement of any derivative instruments that we may enter into.

In addition to the numerous risks, uncertainties and assumptions described above, you should also carefully read and consider "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I and "Item 1A. Risk Factors" in Part II of this report, "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I of our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2021 and June 30, 2021, "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2020, and Item 1A of Risk Factors in Part II of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021, which is available on the U.S. Securities and Exchange Commission website at www.sec.gov. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward looking statements, except as required by law.

PART I - FINANCIAL INFORMATION

Item 1. *Financial Statements*

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
OPERATING REVENUES	\$ 326.7	\$ 285.3
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	274.3	307.2
Depreciation	24.4	122.4
General and administrative	27.2	72.1
Total operating expenses	325.9	501.7
OTHER OPERATING INCOME	—	118.1
EQUITY IN EARNINGS OF ARO	2.6	3.9
OPERATING INCOME (LOSS)	3.4	(94.4)
OTHER INCOME (EXPENSE)		
Interest income	9.7	4.7
Interest expense, net (Unrecognized contractual interest expense for debt subject to compromise was \$45.9 million for the three months ended September 30, 2020)	(11.3)	(59.8)
Reorganization items, net	(6.5)	(497.5)
Other, net	5.2	(3.1)
	(2.9)	(555.7)
INCOME (LOSS) BEFORE INCOME TAXES	.5	(650.1)
PROVISION FOR INCOME TAXES		
Current income tax expense	53.2	16.4
Deferred income tax expense	.1	5.5
	53.3	21.9
NET LOSS	(52.8)	(672.0)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1.7)	1.1
NET LOSS ATTRIBUTABLE TO VALARIS	\$ (54.5)	\$ (670.9)
LOSS PER SHARE - BASIC AND DILUTED	\$ (0.73)	\$ (3.36)
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic and Diluted	75.0	199.4

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

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

	Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
OPERATING REVENUES	\$ 529.5	\$ 397.4	\$ 1,130.7
OPERATING EXPENSES			
Contract drilling (exclusive of depreciation)	443.0	337.8	1,153.9
Loss on impairment	—	756.5	3,646.2
Depreciation	41.0	159.6	418.4
General and administrative	39.9	30.7	188.1
Total operating expenses	523.9	1,284.6	5,406.6
OTHER OPERATING INCOME	—	—	118.1
EQUITY IN EARNINGS (LOSSES) OF ARO	7.4	3.1	(7.6)
OPERATING INCOME (LOSS)	13.0	(884.1)	(4,165.4)
OTHER INCOME (EXPENSE)			
Interest income	17.5	3.6	15.2
Interest expense, net (Unrecognized contractual interest expense for debt subject to compromise was \$132.9 million and \$45.9 million for the four months ended April 30, 2021 and the nine months ended September 30, 2020, respectively)	(19.3)	(2.4)	(289.2)
Reorganization items, net	(10.6)	(3,584.6)	(497.5)
Other, net	10.9	19.9	2.5
	(1.5)	(3,563.5)	(769.0)
INCOME (LOSS) BEFORE INCOME TAXES	11.5	(4,447.6)	(4,934.4)
PROVISION (BENEFIT) FOR INCOME TAXES			
Current income tax expense (benefit)	67.2	34.4	(42.3)
Deferred income tax expense (benefit)	1.2	(18.2)	(103.6)
	68.4	16.2	(145.9)
NET LOSS	(56.9)	(4,463.8)	(4,788.5)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3.8)	(3.2)	3.9
NET LOSS ATTRIBUTABLE TO VALARIS	\$ (60.7)	\$ (4,467.0)	\$ (4,784.6)
LOSS PER SHARE - BASIC AND DILUTED	\$ (0.81)	\$ (22.38)	\$ (24.09)
WEIGHTED-AVERAGE SHARES OUTSTANDING			
Basic and Diluted	75.0	199.6	198.6

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

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
NET LOSS	\$ (52.8)	\$ (672.0)
OTHER COMPREHENSIVE INCOME, NET		
Net change in fair value of derivatives	—	2.7
Net changes in pension and postretirement plan assets and benefit obligations recognized in other comprehensive income	(.2)	—
Reclassification of net gains on derivative instruments from other comprehensive income into net loss	—	(.5)
Other	.2	(.1)
NET OTHER COMPREHENSIVE INCOME	—	2.1
COMPREHENSIVE LOSS	(52.8)	(669.9)
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1.7)	1.1
COMPREHENSIVE LOSS ATTRIBUTABLE TO VALARIS	\$ (54.5)	\$ (668.8)

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

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

	Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
NET LOSS	\$ (56.9)	\$ (4,463.8)	\$ (4,788.5)
OTHER COMPREHENSIVE LOSS, NET			
Net changes in pension and postretirement plan assets and benefit obligations recognized in other comprehensive loss	(.2)	.1	—
Net change in fair value of derivatives	—	—	(5.4)
Reclassification of net gains on derivative instruments from other comprehensive loss into net loss	—	(5.6)	(11.5)
Other	—	—	(.5)
NET OTHER COMPREHENSIVE LOSS	(.2)	(5.5)	(17.4)
COMPREHENSIVE LOSS	(57.1)	(4,469.3)	(4,805.9)
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3.8)	(3.2)	3.9
COMPREHENSIVE LOSS ATTRIBUTABLE TO VALARIS	\$ (60.9)	\$ (4,472.5)	\$ (4,802.0)

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

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

	Successor September 30, 2021	Predecessor December 31, 2020
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 620.8	\$ 325.8
Restricted cash	33.9	11.4
Accounts receivable, net	455.8	449.2
Other current assets	117.0	386.5
Total current assets	1,227.5	1,172.9
PROPERTY AND EQUIPMENT, AT COST		
Less accumulated depreciation	933.1	13,209.3
Property and equipment, net	40.8	2,248.8
LONG-TERM NOTES RECEIVABLE FROM ARO	892.3	10,960.5
INVESTMENT IN ARO	241.3	442.7
OTHER ASSETS	87.9	120.9
	153.5	176.2
	\$ 2,602.5	\$ 12,873.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 203.0	\$ 176.4
Accrued liabilities and other	223.8	250.4
Total current liabilities	426.8	426.8
LONG-TERM DEBT	545.1	—
OTHER LIABILITIES	591.3	762.4
Total liabilities not subject to compromise	1,563.2	1,189.2
LIABILITIES SUBJECT TO COMPROMISE	—	7,313.7
COMMITMENTS AND CONTINGENCIES		
VALARIS SHAREHOLDERS' EQUITY		
Predecessor Class A ordinary shares, U.S. \$0.40 par value, 206.1 million shares issued as of December 31, 2020	—	82.5
Predecessor Class B ordinary shares, £1 par value, 50,000 shares issued as of December 31, 2020	—	.1
Successor common shares, \$0.01 par value, 700 million shares authorized, 75 million shares issued as of September 30, 2021	.8	—
Successor preference shares, \$0.01 par value, 150 million shares authorized, no shares issued as of September 30, 2021	—	—
Successor stock warrants	16.4	—
Additional paid-in capital	1,080.3	8,639.9
Retained deficit	(60.7)	(4,183.8)
Accumulated other comprehensive loss	(.2)	(87.9)
Predecessor Treasury shares, at cost, 6.6 million shares as of December 31, 2020	—	(76.2)
Total Valaris shareholders' equity	1,036.6	4,374.6
NONCONTROLLING INTERESTS	2.7	(4.3)
Total equity	1,039.3	4,370.3
	\$ 2,602.5	\$ 12,873.2

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

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

	Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
OPERATING ACTIVITIES			
Net loss	\$ (56.9)	\$ (4,463.8)	\$ (4,788.5)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	41.0	159.6	418.4
Accretion of discount on shareholders note	(12.9)	—	—
Equity in losses (earnings) of ARO	(7.4)	(3.1)	7.6
Deferred income tax expense (benefit)	1.2	(18.2)	(103.6)
Amortization, net	2.8	(4.8)	14.4
Share-based compensation expense	1.6	4.8	17.8
Debt discounts and other	.3	—	36.8
Loss on impairment	—	756.5	3,646.2
Adjustment to gain on bargain purchase	—	—	6.3
Gain on debt extinguishment	—	—	(3.1)
Debtor in possession financing fees and payments on Backstop Commitment Agreement	—	—	43.8
Reorganization items, net	—	3,487.3	447.9
Other	(6.3)	(4.1)	2.4
Changes in operating assets and liabilities	19.3	68.5	(131.8)
Contributions to pension plans and other post-retirement benefits	(1.7)	(22.5)	(11.0)
Net cash used in operating activities	(19.0)	(39.8)	(396.4)
INVESTING ACTIVITIES			
Additions to property and equipment	(23.7)	(8.7)	(82.9)
Net proceeds from disposition of assets	1.5	30.1	44.2
Net cash provided by (used in) investing activities	(22.2)	21.4	(38.7)
FINANCING ACTIVITIES			
Issuance of first lien notes	—	520.0	—
Payments to Predecessor creditors	—	(129.9)	—
Borrowings on credit facility	—	—	596.0
Debtor in possession financing fees and payments on Backstop Commitment Agreement	—	—	(43.8)
Repayments of credit facility borrowings	—	—	(15.0)
Reduction of long-term borrowings	—	—	(9.7)
Purchase of noncontrolling interests	—	—	(7.2)
Other	—	(1.4)	(1.9)
Net cash provided by financing activities	—	388.7	518.4
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(.1)	(.1)	(.1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(41.3)	370.2	83.2
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	696.0	325.8	97.2
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	\$ 654.7	\$ 696.0	\$ 180.4

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

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

Note 1 - Unaudited Condensed Consolidated Financial Statements

We prepared the accompanying condensed consolidated financial statements of Valaris Limited and its subsidiaries (the "Company," "Valaris," "Successor," "our," "we" or "us") in accordance with accounting principles generally accepted in the United States of America ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") included in the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial information included in this report is unaudited but, in our opinion, includes all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The December 31, 2020 Condensed Consolidated Balance Sheet data was derived from our 2020 audited consolidated financial statements but does not include all disclosures required by GAAP. The preparation of our condensed consolidated financial statements requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and disclosures of gain and loss contingencies as of the date of the financial statements. Actual results could differ from those estimates.

On August 19, 2020 (the "Petition Date"), Valaris plc ("Legacy Valaris" or "Predecessor") and certain of its direct and indirect subsidiaries (collectively, the "Debtors"), filed voluntary petitions for reorganization under chapter 11 of the United States Bankruptcy Code ("Bankruptcy Code") in the Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). The Debtors obtained joint administration of their chapter 11 cases under the caption *In re Valaris plc, et al.*, Case No. 20-34114 (MI) (the "Chapter 11 Cases").

In connection with the Chapter 11 Cases, on and prior to April 30, 2021 (the "Effective Date"), Legacy Valaris effectuated certain restructuring transactions, pursuant to which the successor company, Valaris, was formed and through a series of transactions Legacy Valaris transferred to a subsidiary of the Successor substantially all of the subsidiaries, and other assets, of Legacy Valaris.

References to the financial position and results of operations of the "Successor" or "Successor Company" relate to the financial position and results of operations of the Company after the Effective Date. References to the financial position and results of operations of the "Predecessor" or "Predecessor Company" refer to the financial position and results of operations of Legacy Valaris on and prior to the Effective Date. References to the "Company," "we," "us" or "our" in this Quarterly Report are to Valaris Limited, together with its consolidated subsidiaries, when referring to periods following the Effective Date, and to Legacy Valaris, together with its consolidated subsidiaries, when referring to periods prior to and including the Effective Date.

Results of operations for the four months ended April 30, 2021 (Predecessor) and five months ended September 30, 2021 (Successor) are not necessarily indicative of the results of operations that will be realized from September 30, 2021 to December 31, 2021 (Successor), or for any future period. We recommend these condensed consolidated financial statements be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 2, 2021.

Bankruptcy and Fresh Start Accounting

On the Effective Date, the Debtors emerged from the Chapter 11 Cases. Upon emergence from the Chapter 11 Cases, we qualified for and adopted fresh start accounting. The application of fresh start accounting resulted in a new basis of accounting, and the Company became a new entity for financial reporting purposes. Accordingly, our financial statements and notes after the Effective Date are not comparable to our financial statements and notes on and prior to that date. Furthermore, the unaudited condensed consolidated financial statements and notes have been presented with a black line division to delineate the lack of comparability between the Predecessor and Successor.

See "[Note 2](#) – Chapter 11 Proceedings" and "[Note 3](#) - Fresh Start Accounting" for additional details regarding the bankruptcy and fresh start accounting.

Changes in Accounting Policies

Upon emergence from bankruptcy, we elected to change our accounting policies related to property and equipment as well as materials and supplies.

Prior to emergence from bankruptcy, we recorded our drilling rigs as a single asset with a useful life ascribed by the expected useful life of that asset. Upon emergence, we have identified the significant components of our drilling rigs and ascribed useful lives based on the expected time until the next required overhaul or the end of the expected economic lives of the components.

Historically, we recognized materials and supplies on the balance sheet when purchased and subsequently expensed items when consumed. Following emergence, materials and supplies will be expensed as a period cost when received. Additionally, a customer arrangement provides that we take title to their materials and supplies for the duration of the contract and return or pay cash for them at the termination of the contract. Together with our policy change on materials and supplies, we elected to record these assets and the obligation to our customer on a net basis as opposed to on a gross basis.

New Accounting Pronouncements

Recently adopted accounting pronouncements

Income Taxes - In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("Update 2019-12"), which removes certain exceptions for investments, intraperiod allocations and interim tax calculations and adds guidance to reduce complexity in accounting for income taxes. The various amendments in Update 2019-12 are applied on a retrospective basis, modified retrospective basis and prospective basis, depending on the amendment. We adopted Update 2019-12 effective January 1, 2021 with no material impact to our financial statements upon adoption.

Accounting pronouncements to be adopted

Reference Rate Reform - In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("Update 2020-04"), which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in Update 2020-04 apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, for which an entity has elected certain optional expedients and that are retained through the end of the hedging relationship. The provisions in Update 2020-04 are effective upon issuance and can be applied prospectively through December 31, 2022. We are in the process of evaluating the impact this amendment will have on our condensed consolidated financial statements.

Leases - In July 2021, the FASB issued ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*, ("Update 2021-05") which requires a lessor to classify a lease with entirely or partially variable payments that do not depend on an index or rate as an operating lease if another classification (i.e. sales-type or direct financing) would trigger a day-one loss. Update 2021-05 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. We are in the process of evaluating the impact this amendment will have on our condensed consolidated financial statements.

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

Note 2 - Chapter 11 Proceedings

Chapter 11 Cases and Emergence from Chapter 11

On the Petition Date, the Debtors filed voluntary petitions for reorganization under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The Debtors obtained joint administration of the Chapter 11 Cases under the caption *In re Valaris plc, et al.*, Case No. 20-34114 (MI). On March 3, 2021, the Bankruptcy Court confirmed the Debtors' chapter 11 plan of reorganization.

On the Effective Date, we successfully completed our financial restructuring and together with the Debtors emerged from the Chapter 11 Cases. Upon emergence from the Chapter 11 Cases, we eliminated \$7.1 billion of debt and obtained a \$520 million capital injection by issuing the first lien secured notes (the "First Lien Notes"). See "[Note 11](#) - Debt" for additional information on the First Lien Notes. On the Effective Date, the Legacy Valaris Class A ordinary shares were cancelled and common shares of Valaris with a nominal value of \$0.01 per share ("Common Shares") were issued. Also, former holders of Legacy Valaris' equity were issued warrants (the "Warrants") to purchase Common Shares.

Below is a summary of the terms of the plan of reorganization:

- Appointed six new members to the Company's Board of Directors to replace all of the directors of Legacy Valaris, other than the director also serving as President and Chief Executive Officer at the Effective Date, who was re-appointed pursuant to the plan of reorganization. All but one of the seven new directors, became directors as of the Effective Date and one became a director on July 1, 2021.
- Obligations under Legacy Valaris's outstanding senior notes (the "Senior Notes") were cancelled and the related indentures were cancelled, except to the limited extent expressly set forth in the plan of reorganization and the holders thereunder received the treatment as set forth in the plan of reorganization;
- The Legacy Valaris revolving credit facility (the "Revolving Credit Facility") was terminated and the holders thereunder received the treatment as set forth in the plan of reorganization;
- Holders of the Senior Notes received their pro rata share of (1) 38.48%, or 28,859,900, of Common Shares and (2) approximately 97.6% of the subscription rights to participate in the rights offering (the "Rights Offering") through which the Company offered \$550 million of the First Lien Notes, which includes the backstop premium;
- Holders of the Senior Notes who participated in the Rights Offering received their pro rata share of approximately 29.3%, or 21,975,000, of Common Shares, and senior noteholders who agreed to backstop the Rights Offering received their pro rata share of approximately 2.63%, or 1,975,500 of Common Shares and approximately \$48.8 million in First Lien Notes as a backstop premium;
- Certain Revolving Credit Facility lenders ("RCF Lenders") who participated in the Rights Offering received their pro rata share of approximately 0.7%, or 525,000 Common Shares, RCF Lenders who agreed to backstop the Rights Offering received their pro rata share of 0.07%, or 49,500 of Common Shares and approximately \$1.2 million in First Lien Notes as a backstop premium;

- Senior noteholders, solely with respect to Pride International LLC's 6.875% senior notes due 2020 and 7.875% senior notes due 2040, Ensco International 7.20% Debentures due 2027, and the 4.875% senior notes due 2022, 4.75% senior notes due 2024, 7.375% senior notes due 2025, 5.4% senior notes due 2042 and 5.85% senior notes due 2044, received an aggregate cash payment of \$26.0 million in connection with settlement of certain alleged claims against the Company;
- The two RCF Lenders who chose to participate in the Rights Offering received their pro rata share of (1) 5.3%, or 4,005,000 of Common Shares (2) approximately 2.427% of the First Lien Notes (and associated Common Shares), (3) \$7.8 million in cash, and (4) their pro rata share of the backstop premium. The RCF Lenders who entered into the amended restructuring support agreement and elected not to participate in the Rights Offering received their pro rata share of (1) 22.980%, or 17,235,000 of Common Shares and (2) \$96.1 million in cash;
- Holders of general unsecured claims are entitled to receive payment in full within ninety days after the later of (a) the Effective Date and (b) the date such claim comes due;
- 375,000 Common Shares were issued and \$5.0 million was paid to Daewoo Shipbuilding & Marine Engineering Co., Ltd (the "Shipyard");
- Legacy Valaris Class A ordinary shares were cancelled and holders received 5,645,161 in Warrants exercisable for one Common Share per Warrant at initial exercise price of \$131.88 per Warrant, in each case as may be adjusted from time to time pursuant to the applicable warrant agreement. The Warrants are exercisable for a period of seven years and will expire on April 29, 2028;
- All equity-based awards of Legacy Valaris that were outstanding were cancelled;
- On the Effective Date, Valaris Limited entered into a registration rights agreement with certain parties who received Common Shares;
- On the Effective Date, Valaris Limited entered into a registration rights agreement with certain parties who received First Lien Notes; and
- There were no borrowings outstanding against our debtor-in-possession ("DIP") facility and there were no DIP claims that were not due and payable on, or that otherwise survived, the Effective Date. The DIP Credit Agreement terminated on the Effective Date.

Management Incentive Plan

In accordance with the plan of reorganization, Valaris Limited adopted the 2021 Management Incentive Plan (the "MIP") as of the Effective Date and authorized and reserved 8,960,573 Common Shares for issuance pursuant to equity incentive awards to be granted under the MIP, which may be in the form of incentive stock options, nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, dividend equivalents and cash awards or any combination thereof.

Liabilities Subject to Compromise

The Debtors' pre-petition Senior Notes and related unpaid accrued interest as of the Petition Date were classified as Liabilities Subject to Compromise on our Condensed Consolidated Balance Sheets as of December 31, 2020. The liabilities were reported at the amounts expected to be allowed as claims by the Bankruptcy Court.

Liabilities subject to compromise at December 31, 2020 (Predecessor) consisted of the following (in millions):

6.875% Senior notes due 2020	\$	122.9
4.70% Senior notes due 2021		100.7
4.875% Senior notes due 2022		620.8
3.00% Exchangeable senior notes due 2024		849.2
4.50% Senior notes due 2024		303.4
4.75% Senior notes due 2024		318.0
8.00% Senior notes due 2024		292.2
5.20% Senior notes due 2025		333.7
7.375% Senior notes due 2025		360.8
7.75% Senior notes due 2026		1,000.0
7.20% Debentures due 2027		112.2
7.875% Senior notes due 2040		300.0
5.40% Senior notes due 2042		400.0
5.75% Senior notes due 2044		1,000.2
5.85% Senior notes due 2044		400.0
Amounts drawn under the Revolving Credit Facility		581.0
Accrued Interest on Senior Notes and Revolving Credit Facility		203.2
Rig holding costs ⁽¹⁾		13.9
Total liabilities subject to compromise	\$	7,313.7

⁽¹⁾ Represents the holding costs incurred to maintain VALARIS DS-13 and VALARIS DS-14 in the shipyard.

The contractual interest expense on the outstanding Senior Notes and the Revolving Credit Facility was in excess of recorded interest expense by \$132.9 million for the four months ended April 30, 2021 (Predecessor). The contractual interest expense on the Predecessor's Senior Notes and Revolving Credit Facility was in excess of recorded interest expense by \$45.9 million for both the three and nine months ended September 30, 2020 (Predecessor). This excess contractual interest was not included as interest expense on our Condensed Consolidated Statements of Operations, as we had discontinued accruing interest on the Predecessor's Senior Notes and Revolving Credit Facility subsequent to the Petition Date. The Predecessor discontinued making interest payments on the Senior Notes beginning in June 2020.

Pre-petition Charges

We have reported the backstop commitment fee and legal and other professional advisor fees incurred in relation to the Chapter 11 Cases, but prior to the Petition Date, as general and administrative expenses in our unaudited Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2020 (Predecessor) in the amount of \$42.6 million and \$64.7 million, respectively.

Reorganization Items

Expenditures, gains and losses that are realized or incurred by the Debtors as of or subsequent to the Petition Date and as a direct result of the Chapter 11 Cases are reported as Reorganization items, net in our Condensed Consolidated Statements of Operations for the three and five months ended September 30, 2021 (Successor), four months ended April 30, 2021 (Predecessor) and three and nine months ended September 30, 2020 (Predecessor). These costs include legal and other professional advisory service fees pertaining to the Chapter 11 Cases, contract items related to rejecting certain operating leases ("Contract items") and the effects of the emergence from bankruptcy, including the application of fresh start accounting. Additionally, the three and nine months ended

September 30, 2020 (Predecessor) included all adjustments made to the carrying amount of certain pre-petition liabilities reflecting claims that were expected to be allowed by the Bankruptcy Court and DIP Facility Fees.

The components of reorganization items, net were as follows (in millions):

	Successor		Predecessor	
	Three Months Ended September 30, 2021	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Three and Nine Months Ended September 30, 2020
DIP Facility fees	\$ —	\$ —	\$ —	\$ 23.8
Professional fees	6.5	12.1	93.4	25.8
Contract items	—	(1.5)	3.9	—
Reorganization items (fees)	6.5	10.6	97.3	49.6
Write-off of unamortized debt discounts, premiums and issuance costs	\$ —	\$ —	\$ —	\$ 447.9
Contract items	—	—	.5	—
Backstop premium	—	—	30.0	—
Gain on settlement of liabilities subject to compromise	—	—	(6,139.0)	—
Issuance of Common Shares for backstop premium	—	—	29.1	—
Issuance of Common Shares to the Shipyard	—	—	5.4	—
Write-off of unrecognized share-based compensation expense	—	—	16.0	—
Impact of newbuild contract amendments	—	—	350.7	—
Loss on fresh start adjustments	—	—	9,194.6	—
Reorganization items (non-cash)	—	—	3,487.3	447.9
Total reorganization items, net	\$ 6.5	\$ 10.6	\$ 3,584.6	\$ 497.5
Reorganization items (fees) unpaid	\$ 3.0	\$ 3.0	\$ 38.3	\$ 25.8
Reorganization items (fees) paid	\$ 3.5	\$ 7.6	\$ 59.0	\$ 23.8

Note 3 - Fresh Start Accounting

Applicability of Fresh Start Accounting

Upon emergence from bankruptcy, we qualified for and applied fresh start accounting, which resulted in the Company becoming a new entity for financial reporting purposes because (1) the holders of the then existing Class A ordinary shares of the Predecessor received less than 50 percent of the Common Shares of the Successor outstanding upon emergence and (2) the reorganization value of the Company's assets immediately prior to confirmation of the plan of reorganization was less than the total of all post-petition liabilities and allowed claims.

The reorganization value derived from the range of enterprise values associated with the plan of reorganization was allocated to the Company's identifiable tangible and intangible assets and liabilities based on

their fair values (except for deferred income taxes). The amount of deferred income taxes recorded was determined in accordance with the applicable income tax accounting standard. The April 30, 2021 fair values of the Company's assets and liabilities differ materially from their recorded values as reflected on the historical balance sheets.

Reorganization Value

The reorganization value represents the fair value of the Successor's total assets and was derived from the enterprise value associated with the plan of reorganization, which represents the estimated fair value of an entity's long-term debt and equity less unrestricted cash upon emergence from chapter 11. As set forth in the disclosure statement and approved by the bankruptcy court, third-party valuation advisors estimated the enterprise value to be between \$1,860.0 million and \$3,145.0 million. The enterprise value range of the reorganized Debtors was determined primarily by using a discounted cash flow analysis. The value agreed in the plan of reorganization is indicative of an enterprise value at the low end of this range, or \$1,860.0 million.

The following table reconciles the enterprise value to the estimated fair value of Successor Common Shares as of the Effective Date (in millions, except per share value):

	April 30, 2021
Enterprise Value	\$ 1,860.0
Plus: Cash and cash equivalents	607.6
Less: Fair value of debt	(544.8)
Less: Warrants	(16.4)
Less: Noncontrolling interest	1.1
Less: Pension and other post retirement benefits liabilities	(189.0)
Less: Adjustments not contemplated in Enterprise Value	(639.0)
Fair value of Successor Common Shares	\$ 1,079.5
Shares issued upon emergence	75
Per share value	\$ 14.39

The following table reconciles the enterprise value to the reorganization value as of the Effective Date (in millions):

	April 30, 2021
Enterprise Value	\$ 1,860.0
Plus: Cash and cash equivalents	607.6
Plus: Non-interest bearing current liabilities	346.0
Less: Adjustments not contemplated in Enterprise Value	(218.0)
Reorganization value of Successor assets	\$ 2,595.6

Adjustments not contemplated in Enterprise Value represent certain obligations of the Successor that were either not contemplated or contemplated in a different amount in the forecasted cash flows of the enterprise valuation performed by third-party valuation advisors that had they incorporated those anticipated cash flows into their analysis, the resulting valuation would have been different. For the reconciliation of Reorganization value of Successor assets, this item includes certain tax balances, contract liabilities, as well as an adjustment for the fair value of pension obligations. The reconciliation to Successor Common Share value includes these same reconciling items as well as other current and non-current liabilities of the Successor at the emergence.

The enterprise value and corresponding implied equity value are dependent upon achieving the future financial results set forth in the valuation utilizing assumptions regarding future day rates, utilization, operating costs and capital requirements as of the emergence date. All estimates, assumptions, valuations and financial projections, including the fair value adjustments, the enterprise value and equity value projections, are inherently subject to significant uncertainties and the resolution of contingencies beyond our control. Accordingly, there is no assurance that the estimates, assumptions, valuations or financial projections will be realized, and actual results could vary materially.

Valuation Process

The fair values of the Company's principal assets and liabilities including property, plant and equipment as well as our 50% equity interest in Saudi Aramco Rowan Offshore Drilling Company ("ARO") and our notes receivable from ARO, the First Lien Notes, pensions and Warrants were estimated with the assistance of third-party valuation advisors.

Property, Plant and Equipment

The valuation of the Company's drilling rigs was estimated by using an income approach or estimated sales price. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including, in the case of an income approach, assumptions regarding future day rates, utilization, operating costs, reactivation costs and capital requirements. In developing these assumptions, forecasted day rates and utilization took into account current market conditions and our anticipated business outlook. The cash flows were discounted at our weighted average cost of capital ("WACC"), which was derived from a blend of our after-tax cost of debt and our cost of equity, and computed using public share price information for similar offshore drilling market participants, certain U.S. Treasury rates and certain risk premiums specific to the Company.

Our remaining property and equipment including owned real estate and other equipment was valued using a cost approach, in which the estimated replacement cost of the assets was adjusted for physical depreciation and obsolescence, where applicable, to arrive at estimated fair value.

The estimated fair value of our property and equipment includes an adjustment to reconcile to our reorganization value.

Notes Receivable from ARO

The fair value of the long-term notes receivable from ARO was estimated using an income approach to value the forecasted cash flows attributed to the note receivable using a discount rate based on a comparable yield with a country-specific risk premium.

Investment in ARO

We estimated the fair value of the equity investment in ARO primarily by applying an income approach, using projected discounted cash flows of the underlying assets, a risk-adjusted discount rate and an estimated effective income tax rate.

First Lien Notes

The fair value of the First Lien Notes was determined to approximate the par value based on third-party valuation advisors' analysis of the Company's collateral coverage, financial metrics, and interest rate for the First Lien Notes relative to market rates of recent placements of a similar term for industry participants with similar credit risk.

Pensions

Our pension and other postretirement benefit liabilities and costs are based upon actuarial computations that reflect our assumptions about future events, including long-term asset returns, interest rates, annual compensation increases, mortality rates and other factors. Upon emergence, our pension and other post retirement plans were remeasured as of the Effective Date. Key assumptions at the Effective Date included (1) a weighted average discount rate of 2.81% to determine pension benefit obligations and (2) an expected long-term rate of return on pension plan assets of 6.03% to determine net periodic pension cost.

Warrants

The fair value of the Warrants was determined using an option pricing model considering the contractual terms of the Warrant issuance. The key market data assumptions for the option pricing model are the estimated volatility and the risk-free rate. The volatility assumption was estimated using market data for offshore drilling market participants with consideration for differences in leverage. The risk-free rate assumption was based on U.S. Treasury Constant Maturity rates with a comparable term.

Condensed Consolidated Balance Sheet

The adjustments included in the following condensed consolidated balance sheet reflect the effects of the transactions contemplated by the plan of reorganization and executed by the Company on the Effective Date (reflected in the column “Reorganization Adjustments”), and fair value and other required accounting adjustments resulting from the adoption of fresh start accounting (reflected in the column “Fresh Start Accounting Adjustments”). The explanatory notes provide additional information with regard to the adjustments recorded.

As of April 30, 2021

	Predecessor	Reorganization Adjustments		Fresh Start Accounting Adjustments	Successor
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 280.2	\$ 327.4	(a)	\$ —	\$ 607.6
Restricted cash	45.7	42.7	(b)	—	88.4
Accounts receivable, net	425.9	—		—	425.9
Other current assets	370.1	1.5	(c)	(281.1)	(o) 90.5
Total current assets	1,121.9	371.6		(281.1)	1,212.4
PROPERTY AND EQUIPMENT, NET	10,026.4	(417.6)	(d)	(8,699.7)	(p) 909.1
LONG-TERM NOTES RECEIVABLE FROM ARO	442.7	—		(214.4)	(q) 228.3
INVESTMENT IN ARO	123.9	—		(43.4)	(r) 80.5
OTHER ASSETS	166.4	(10.0)	(e)	8.9	(s) 165.3
	\$ 11,881.3	\$ (56.0)		\$ (9,229.7)	\$ 2,595.6
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable - trade	\$ 161.5	\$ 13.1	(f)	\$ (.5)	(t) \$ 174.1
Accrued liabilities and other	290.7	(12.4)	(g)	(61.8)	(u) 216.5
Total current liabilities	452.2	.7		(62.3)	390.6
LONG-TERM DEBT	—	544.8	(h)	—	544.8
OTHER LIABILITIES	706.2	(55.2)	(i)	(85.6)	(v) 565.4
Total liabilities not subject to compromise	1,158.4	490.3		(147.9)	1,500.8
LIABILITIES SUBJECT TO COMPROMISE	7,313.7	(7,313.7)	(j)	—	—
COMMITMENTS AND CONTINGENCIES					
VALARIS SHAREHOLDERS' EQUITY					
Predecessor Class A ordinary shares	82.5	(82.5)	(k)	—	—
Predecessor Class B ordinary shares	.1	(.1)	(k)	—	—
Successor common shares	—	.8	(l)	—	.8
Successor stock warrants	—	16.4	(m)	—	16.4
Predecessor additional paid-in capital	8,644.0	(8,644.0)	(k)	—	—
Successor additional paid-in capital	—	1,078.7	(l)	—	1,078.7
Retained deficit	(5,147.4)	14,322.6	(n)	(9,175.2)	(w) —
Accumulated other comprehensive loss	(93.4)	—		93.4	(x) —
Predecessor treasury shares	(75.5)	75.5	(k)	—	—
Total Valaris shareholders' equity	3,410.3	6,767.4		(9,081.8)	1,095.9
NONCONTROLLING INTERESTS	(1.1)	—		—	(1.1)
Total equity	3,409.2	6,767.4		(9,081.8)	1,094.8
	\$ 11,881.3	\$ (56.0)		\$ (9,229.7)	\$ 2,595.6

Reorganization Adjustments

(a) Cash

Represents the reorganization adjustments (in millions):

Receipt of cash for First Lien Notes	\$	500.0
Loan proceeds from backstop lenders		20.0
Funds received for liquidation of rabbi trust related to certain employee benefits		17.6
Payments to Predecessor creditors		(129.9)
Transfer of funds for payment of certain professional fees to escrow account		(42.7)
Payment for certain professional services fees		(29.0)
Various other		(8.6)
	\$	327.4

(b) Restricted cash

Reflects the reorganization adjustment to record the transfer of cash for payment of certain professional fees to restricted cash, which will be held in escrow until billings from professionals have been received and reconciled at which time the funds in the account will be released.

(c) Other current asset

Reflects certain prepayments incurred upon emergence.

(d) Property and Equipment, net

Reflects the reorganization adjustment to remove \$417.6 million of work-in-process related to the Newbuild Rigs. These values have been removed from property and equipment, net, based on the terms of the amended agreements with the Shipyard. As a result of the option to take delivery, we removed the historical work-in-process balances from the balance sheet.

(e) Other assets

Represents the reorganization adjustments (in millions):

Liquidation of rabbi trust related to certain employee benefits	\$	(17.6)
Elimination of right-of-use asset associated with Newbuild Rigs		(5.5)
Fair value of options to purchase Newbuild Rigs		13.1
	\$	(10.0)

Our supplemental executive retirement plans (the "SERPs") are non-qualified plans that provided eligible employees an opportunity to defer a portion of their compensation for use after retirement. The SERPs were frozen to the entry of new participants in November 2019 and to future compensation deferrals as of January 1, 2020. Upon emergence, assets previously held in a rabbi trust maintained for the SERP were liquidated and the SERPs were amended.

In accordance with the amended agreement with the Shipyard, our leases were terminated and we have eliminated the historical right-of-use asset associated with the berthing locations of VALARIS DS-13 and VALARIS DS-14.

Additionally, upon effectiveness of the plan of reorganization, the amended agreement with the Shipyard provides the Company with the option to purchase the Newbuild Rigs. The reorganization adjustments include a Contract Intangible asset that reflects the fair value of the option to purchase the Newbuild Rigs and embedded feature related to the ability, under the amended agreements with the Shipyard, for the equity issued pursuant to this arrangement to be put to the Company for \$8.0 million of consideration for each rig, should we choose to take delivery.

(f) *Accounts payable - trade*

Reflects the following reorganization adjustments (in millions):

Professional fees incurred upon emergence	\$	26.1
Payment of professional fees incurred prior to emergence		(12.6)
Payment of certain accounts payable incurred prior to emergence		(.4)
	\$	13.1

(g) *Accrued liabilities and other*

Reflects the following reorganization adjustments (in millions):

Elimination of lease liabilities associated with Newbuild Rigs	\$	(5.0)
Elimination of accrued post-petition holding costs associated with Newbuild Rigs		(4.1)
Payment of certain accrued liabilities incurred prior to emergence		(3.3)
	\$	(12.4)

In accordance with the amended agreement with the Shipyard, our leases were terminated and we have eliminated the historical lease liability associated with the berthing locations of VALARIS DS-13 and VALARIS DS-14. Accrued post-petition holding costs have also been eliminated as a result of the amendments executed upon emergence. Additionally, reorganization adjustments to accrued liabilities and other includes an amount primarily related to payment of professional fees incurred prior to emergence.

(h) *Long-term debt*

Reflects the reorganization adjustment to record the issuance of the \$550.0 million aggregate principal amount of First Lien Notes and debt issuance costs of \$5.2 million.

(i) *Other liabilities*

Reflects the following reorganization adjustments (in millions):

Elimination of construction contract intangible liabilities associated with Newbuild Rigs	\$	(49.9)
Elimination of accrued post-petition holding costs associated with Newbuild Rigs		(4.7)
Elimination of lease liabilities associated with Newbuild Rigs		(.6)
	\$	(55.2)

The reorganization adjustments to other liabilities primarily relate to the elimination of construction contract intangibles associated with the Newbuild Rigs. These construction contract intangible liabilities were recorded in purchase accounting for the original contracting entity. As the amended contract is structured as an option whereby we have the right, not the obligation to take delivery of the rigs, there is no longer an intangible liability associated with the contracts and it has been eliminated from the financial statements.

We have eliminated the historical lease liability associated with the berthing locations of VALARIS DS-13 and VALARIS DS-14 and accrued post-petition holding costs as described in (g) above.

(j) *Liabilities subject to compromise*

Reflects the following reorganization adjustments (in millions):

Settlement of liabilities subject to compromise	\$	7,313.7
Issuance of common stock to Predecessor creditors		(721.0)
Issuance of common stock to backstop parties		(323.8)
Payment to Predecessor creditors		(129.9)
Gain on settlement of liabilities subject to compromise	\$	6,139.0

(k) *Predecessor ordinary shares, additional paid-in capital and treasury shares*

Represents the cancellation of the Predecessor's common shares of \$82.6 million, additional paid-in capital of \$8,644.0 million and treasury stock of \$75.5 million.

(l) *Successor common shares and additional paid-in capital*

Represents par value of 75 million new Common Shares of \$0.8 million and capital in excess of par value of \$1,078.7 million.

(m) *Successor stock warrants*

On the Effective Date and pursuant to the plan of reorganization, Valaris Limited issued an aggregate of 5.6 million Warrants exercisable for up to an aggregate of 5.6 million Common Shares to former holders of Legacy Valaris's equity interests. The fair value of the Warrants as of the Effective Date was \$16.4 million.

(n) *Retained deficit*

Represents the reorganization adjustments to total equity as follows (in millions):

Gain on settlement of liabilities subject to compromise	\$	(6,139.0)
Issuance of Common Shares for backstop premium		29.1
Issuance of Common Shares to the Shipyard		5.4
Write-off of unrecognized share-based compensation expense		16.0
Professional fees and success fees		35.9
Backstop premium		30.0
Impact of newbuild contract amendments		350.7
Reorganization items, net		(5,671.9)
Cancellation of Predecessor common shares		(82.6)
Cancellation of Predecessor treasury shares		75.5
Cancellation of Predecessor additional paid in capital		(7,856.4)
Cancellation of equity component of Predecessor convertible notes		(220.0)
Cancellation of Predecessor cash and equity compensation plans		(583.6)
Fair value of Warrants		16.4
	\$	(14,322.6)

Fresh Start Adjustments

(o) *Other current assets*

Reflects the fresh start adjustments to record the estimated fair value of other current assets as follows (in millions):

Elimination of materials and supplies	\$	(260.8)
Elimination of historical deferred contract drilling expenses		(20.3)
	\$	(281.1)

Primarily reflects the fresh start adjustment to eliminate the historical balance for materials and supplies as the result of a change in accounting policy upon emergence.

The fresh start adjustment for the elimination of historical deferred contract drilling expenses primarily relates to deferred mobilization costs, deferred contract preparation costs, and deferred certification costs. Costs incurred for mobilization and contract preparation prior to the commencement of drilling services are deferred and subsequently amortized over the term of the related drilling contract. Additionally, we must obtain certifications from various regulatory bodies in order to operate our drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs incurred in connection with maintaining such certifications, including inspections, tests, surveys and drydock, as well as remedial structural work and other compliance costs, are deferred and amortized on a straight-line basis over the corresponding certification periods. These deferred costs have no future economic benefit and are eliminated from the fresh start financial statements.

(p) *Property and equipment, net*

Reflects the fresh start adjustments to historical amounts to record the estimated fair value of property and equipment.

(q) *Long-term notes receivable from ARO*

Reflects the fresh start adjustment to record the estimated fair value of the long-term notes receivable from ARO. The fair value of the long-term notes receivable from ARO was estimated using an income approach to value the forecasted cash flows attributed to the note receivable using a discount rate based on comparable yield with a country-specific risk premium.

(r) *Investment in ARO*

Reflects the fresh start adjustment to record the estimated fair value of the equity investment in ARO.

(s) *Other assets*

Reflects the fresh start adjustments to record the estimated fair value of other assets as follows (in millions):

Deferred tax impacts of certain fresh start adjustments	\$	21.1
Fair value of contracts with customers		8.5
Fair value adjustments to right-of-use assets		.4
Elimination of historical deferred contract drilling expenses		(16.5)
Elimination of other deferred costs		(4.6)
	\$	8.9

The fresh start adjustment for deferred income tax assets represents the estimated incremental deferred income taxes, which reflects the tax effect of the differences between the estimated fair value of certain assets and liabilities recorded under fresh start accounting and the carryover tax basis of those assets and liabilities.

The fresh start adjustment to record the estimated fair value of contracts with customers represents the intangible assets recognized for firm customer contracts in place at the balance sheet date that have favorable contract terms as compared to current market day rates for comparable drilling rigs. The various factors considered in the adjustment are (1) the contracted day rate for each contract, (2) the remaining term of each contract, (3) the rig class and (4) the market conditions for each respective rig class at the emergence date. The intangible assets are computed based on the present value of the difference in cash inflows over the remaining contract term as compared to a hypothetical contract with the same remaining term at an estimated current market day rate using a risk-adjusted discount rate and an estimated effective income tax rate. This balance will be amortized to operating revenues over the respective remaining contract terms on a straight-line basis.

The fresh start adjustment to right-of-use assets reflects the remeasuring of our operating leases as of the emergence date. Certain operating leases had unfavorable terms as of the emergence date, and as a result the right-of-use asset for such leases does not equal the lease liability upon emergence.

The fresh start adjustment to eliminate historical deferred contract drilling expenses reflects the noncurrent portion of historical deferred contract drilling expenses described in (o) above as well as the elimination of customer contract intangibles previously recorded in purchase accounting.

The fresh start adjustments to eliminate other deferred costs reflect non-operational deferred costs that have no future economic benefit to Valaris.

(t) *Accounts payable - trade*

The fresh start adjustment to accounts payable trade reflects the write off of certain deferred amounts related to our operating leases. This value was eliminated through the remeasurement of our leases as of the emergence date.

(u) *Accrued liabilities and other*

Reflects the fresh start adjustments to record the estimated fair value of current liabilities as follows (in millions):

Elimination of customer payable balance	\$	(36.8)
Elimination of historical deferred revenues		(25.9)
Fair value of contracts with customers		.5
Fair value adjustment to lease liabilities		.4
	\$	(61.8)

The fresh start adjustment to eliminate the customer payable balance is related to a fresh start adjustment made to present the balance on a net basis.

The fresh start adjustment to eliminate historical deferred revenues is primarily related to amounts previously received for the reimbursement for capital upgrades, upfront contract deferral fees and mobilization. Such amounts are deferred and subsequently amortized over the term of the related drilling contract. The deferred revenue does not represent future performance obligations of Valaris and are eliminated as fresh start accounting adjustments.

The fresh start adjustment to record the estimated fair value of contracts with customers reflects the intangible liabilities recognized for firm customer contracts in place at the balance sheet date that have unfavorable

contract terms as compared to current market day rates for comparable drilling rigs. The various factors considered in the adjustment are (1) the contracted day rate for each contract, (2) the remaining term of each contract, (3) the rig class and (4) the market conditions for each respective rig class at the emergence date. The intangible liabilities are computed based on the present value of the difference in cash inflows over the remaining contract term as compared to a hypothetical contract with the same remaining term at an estimated current market day rate using a risk-adjusted discount rate and an estimated effective income tax rate. This balance will be amortized to operating revenues over the respective remaining contract terms on a straight-line basis.

The fresh start adjustment to lease liabilities reflects the remeasuring of our operating leases as of the emergence date.

(v) *Other liabilities*

Reflects the fresh start adjustments to record the estimated fair value of other liabilities as follows (in millions):

Adjustment to fair value of pension and other post-retirement plan liabilities	\$	(82.7)
Elimination of historical deferred revenue		(5.9)
Deferred tax impacts of certain fresh start adjustments		1.7
Fair value adjustments to lease liabilities		1.1
Fair value adjustments to other liabilities		.2
	\$	(85.6)

The fresh start adjustment to fair value pension and other post-retirement plan liabilities results from the remeasurement of the pension and other post-retirement benefit plans at the emergence date.

The fresh start adjustment to eliminate deferred revenues reflects the noncurrent portion of deferred revenues described in (u) above.

The fresh start adjustment for deferred income tax liabilities represents the estimated incremental deferred taxes, which reflects the tax effect of the differences between the estimated fair value certain assets and liabilities recorded under fresh start accounting and the carryover tax basis of those assets and liabilities.

The fresh start adjustment to lease liabilities reflects the remeasuring of our operating leases as of the Effective Date.

(w) *Retained Deficit*

Reflects the fresh start adjustments to retained deficit as follows (in millions):

Fair value adjustments to prepaid and other current assets	\$	(281.1)
Fair value adjustments to property		(8,699.7)
Fair value of intangible assets		8.5
Fair value adjustment to investment in ARO		(43.4)
Fair value adjustment to note receivable from ARO		(214.4)
Fair value adjustments to other assets		(20.7)
Fair value adjustments to other current liability		62.8
Fair value of intangible liabilities		(.5)
Fair value adjustment to other liabilities		87.3
Elimination of Predecessor accumulated other comprehensive loss		(93.4)
Total fresh start adjustments included in reorganization items, net	\$	(9,194.6)
Tax impact of fresh start adjustments		19.4
	\$	(9,175.2)

(x) *Accumulated other comprehensive loss*

Reflects the fresh start adjustments for the elimination of Predecessor accumulated other comprehensive loss through reorganization items, net.

Note 4 - Revenue from Contracts with Customers

Our drilling contracts with customers provide a drilling rig and drilling services on a day rate contract basis. Under day rate contracts, we provide an integrated service that includes the provision of a drilling rig and rig crews for which we receive a daily rate that may vary between the full rate and zero rate throughout the duration of the contractual term, depending on the operations of the rig.

We also may receive lump-sum fees or similar compensation for the mobilization, demobilization and capital upgrades of our rigs. Our customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

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

The amount estimated for variable consideration is only recognized as revenue to the extent that it is probable that a significant reversal will not occur during the contract term. We have applied the optional exemption afforded in ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), and have not disclosed the variable consideration related to our estimated future day rate revenues. The remaining duration of our drilling contracts based on those in place as of September 30, 2021 was between approximately 1 month and 3.5 years.

Day Rate Drilling Revenue

Our drilling contracts provide for payment on a day rate basis and include a rate schedule with higher rates for periods when the drilling rig is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The day rate invoiced to the customer is determined based on the varying rates applicable to specific activities performed on an hourly basis or other time increment basis. Day rate consideration is allocated to the distinct hourly or other time increment to which it relates within the contract term and is generally recognized consistent with the contractual rate invoiced for the services provided during the respective period. Invoices are typically issued to our customers on a monthly basis and payment terms on customer invoices typically range from 30 to 45 days.

Certain of our contracts contain performance incentives whereby we may earn a bonus based on pre-established performance criteria. Such incentives are generally based on our performance over individual monthly time periods or individual wells. Consideration related to performance bonus is generally recognized in the specific time period to which the performance criteria was attributed.

We may receive termination fees if certain drilling contracts are terminated by the customer prior to the end of the contractual term. Such compensation is recognized as revenue when our performance obligation is satisfied, the termination fee can be reasonably measured and collection is probable.

Mobilization / Demobilization Revenue

In connection with certain contracts, we receive lump-sum fees or similar compensation for the mobilization of equipment and personnel prior to the commencement of drilling services or the demobilization of equipment and personnel upon contract completion. Fees received for the mobilization or demobilization of equipment and personnel are included in operating revenues. The costs incurred in connection with the mobilization and demobilization of equipment and personnel are included in contract drilling expense.

Mobilization fees received prior to commencement of drilling operations are recorded as a contract liability and amortized on a straight-line basis over the contract term. Demobilization fees expected to be received upon contract completion are estimated at contract inception and recognized on a straight-line basis over the contract term. In some cases, demobilization fees may be contingent upon the occurrence or non-occurrence of a future event. In such cases, this may result in cumulative-effect adjustments to demobilization revenues upon changes in our estimates of future events during the contract term.

Capital Upgrade / Contract Preparation Revenue

In connection with certain contracts, we receive lump-sum fees or similar compensation for requested capital upgrades to our drilling rigs or for other contract preparation work. Fees received for requested capital upgrades and other contract preparation work are recorded as a contract liability and amortized on a straight-line basis over the contract term to operating revenues. Costs incurred for capital upgrades are capitalized and depreciated over the useful life of the asset.

Contract Assets and Liabilities

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

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

liabilities and other, respectively, and noncurrent contract assets and liabilities are included in other assets and other liabilities, respectively, on our Condensed Consolidated Balance Sheets.

As of September 30, 2021 and December 31, 2020, we have a contract liability with ARO, our 50/50 joint venture with Saudi Aramco, representing the difference between the amounts billed under the Lease Agreements and lease revenues earned up to the respective date. See “[Note 5](#) – Equity Method Investment in ARO” for additional details regarding our balances with ARO.

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

	Successor	Predecessor
	September 30, 2021	December 31, 2020
Current contract assets	\$ 1.5	\$ 1.4
Noncurrent contract assets	\$ —	\$.4
Current contract liabilities (deferred revenue)	\$ 32.5	\$ 57.6
Noncurrent contract liabilities (deferred revenue)	\$ 11.9	\$ 14.3

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

	Contract Assets	Contract Liabilities
Balance as of December 31, 2020 (Predecessor)	\$ 1.8	\$ 71.9
Revenue recognized in advance of right to bill customer	2.3	—
Increase due to cash received	—	10.2
Decrease due to amortization of deferred revenue that was included in the beginning contract liability balance	—	(14.8)
Decrease due to transfer to receivables during the period	(1.6)	—
Fresh start accounting revaluation	(.3)	(31.6)
Balance as of April 30, 2021 (Predecessor)	\$ 2.2	\$ 35.7
Balance as of May 1, 2021 (Successor)	\$ 2.2	\$ 35.7
Revenue recognized in advance of right to bill customer	2.3	—
Increase due to cash received	—	34.2
Decrease due to amortization of deferred revenue that was added during the period	—	(10.7)
Decrease due to transfer to receivables and payables during the period	(3.0)	(14.8)
Balance as of September 30, 2021 (Successor)	\$ 1.5	\$ 44.4

Deferred Contract Costs

Costs incurred for upfront rig mobilizations and certain contract preparations are attributable to our future performance obligation under each respective drilling contract. These costs are deferred and amortized on a straight-line basis over the contract term. Demobilization costs are recognized as incurred upon contract completion. Costs associated with the mobilization of equipment and personnel to more promising market areas without contracts are expensed as incurred. Deferred contract costs were included in other current assets and other assets on our Condensed Consolidated Balance Sheets and totaled \$17.7 million and \$13.8 million as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively. For the Successor, during the three and five months ended September 30, 2021, amortization of such costs totaled \$11.4 million and \$13.2 million respectively. For the

Predecessor, during the four months ended April 30, 2021, amortization of such costs totaled \$7.6 million. During the three and nine months ended September 30, 2020, amortization of such costs for the Predecessor totaled \$7.0 million and \$35.9 million, respectively.

Deferred Certification Costs

We must obtain certifications from various regulatory bodies in order to operate our drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs incurred in connection with maintaining such certifications, including inspections, tests, surveys and drydock, as well as remedial structural work and other compliance costs, are deferred and amortized on a straight-line basis over the corresponding certification periods. Deferred regulatory certification and compliance costs were included in other current assets and other assets on our Condensed Consolidated Balance Sheets and totaled \$1.6 million and \$8.4 million as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively. For the Successor, during the three and five months ended September 30, 2021, amortization of these costs totaled \$0.1 million and \$0.2 million respectively. For the Predecessor, during the four months ended April 30, 2021, amortization of these cost totaled \$3.1 million. During the three and nine months ended September 30, 2020, amortization of such costs for the Predecessor totaled \$1.5 million and \$7.2 million, respectively.

Future Amortization of Contract Liabilities and Deferred Costs

Our contract liabilities and deferred costs are amortized on a straight-line basis over the contract term or corresponding certification period to operating revenues and contract drilling expense, respectively, with the exception of the contract liabilities related to our Lease Agreements (as defined below) with ARO which would not be contractually payable until the end of the lease term or termination, if sooner. For the Successor, expected future amortization of our contract liabilities and deferred costs recorded as of September 30, 2021 is set forth in the table below (in millions):

	Remaining 2021	2022	2023	2024 and Thereafter	Total
Amortization of contract liabilities	\$ 26.5	\$ 16.5	\$ 1.4	\$ —	\$ 44.4
Amortization of deferred costs	\$ 6.5	\$ 11.4	\$ 1.4	\$ —	\$ 19.3

Note 5 - Equity Method Investment in ARO

Background

ARO, a company that owns and operates offshore drilling rigs in Saudi Arabia, was formed and commenced operations in 2017 pursuant to the terms of an agreement entered into by Rowan Companies Limited (formerly Rowan Companies plc) ("Rowan") and Saudi Aramco to create a 50/50 joint venture ("Shareholder Agreement"). Pursuant to our completion of the combination with Rowan (the "Rowan Transaction") on April 11, 2019 (the "Transaction Date"), we acquired Rowan's interest in ARO making us a 50% partner. As of September 30, 2021, ARO owns seven jackup rigs, has ordered two newbuild jackup rigs, and leases eight rigs from us through bareboat charter arrangements (the "Lease Agreements") whereby substantially all operating costs are incurred by ARO. All of the leased rigs were operating under three-year drilling contracts with Saudi Aramco. The seven rigs owned by ARO, previously purchased from Rowan and Saudi Aramco, are currently operating under contracts with Saudi Aramco for an aggregate 15 years provided that the rigs meet the technical and operational requirements of Saudi Aramco.

The Company and Saudi Aramco have agreed to take all steps necessary to ensure that ARO purchases 20 newbuild jackup rigs over an approximate 10-year period. In January 2020, ARO ordered the first two newbuild jackups, each with a shipyard price of \$176.0 million, for delivery scheduled in 2022. The joint venture partners intend for the newbuild jackup rigs to be financed out of available cash from ARO's operations and/or funds available from third-party debt financing. In the event ARO has insufficient cash from operations or is unable to

obtain third-party financing, each partner may periodically be required to make additional capital contributions to ARO, up to a maximum aggregate contribution of \$1.25 billion from each partner to fund the newbuild program. Each partner's commitment shall be reduced by the actual cost of each newbuild rig, on a proportionate basis. The joint venture partners agreed that Saudi Aramco, as a customer, will provide drilling contracts to ARO in connection with the acquisition of the newbuild rigs. The initial contracts provided by Saudi Aramco for each of the newbuild rigs will be for an eight-year term. The day rate for the initial contracts for each newbuild rig will be determined using a pricing mechanism that targets a six-year payback period for construction costs on an EBITDA basis. The initial eight-year contracts will be followed by a minimum of another eight years of term, re-priced in three-year intervals based on a market pricing mechanism.

Upon establishment of ARO, Rowan entered into (1) an agreement to provide certain back-office services for a period of time until ARO develops its own infrastructure (the "Transition Services Agreement"), and (2) an agreement to provide certain Rowan employees through secondment arrangements to assist with various onshore and offshore services for the benefit of ARO (the "Secondment Agreement"). These agreements remained in place subsequent to the Rowan Transaction. Pursuant to these agreements, we or our seconded employees provided various services to ARO, and in return, ARO provided remuneration for those services. During the quarter ended June 30, 2020, almost all remaining employees seconded to ARO became employees of ARO. Additionally, our services to ARO under the Transition Services Agreement were completed as of December 31, 2020.

Summarized Financial Information

The operating revenues of ARO presented below reflect revenues earned under drilling contracts with Saudi Aramco for the seven ARO-owned jackup rigs as well as the rigs leased from us.

Contract drilling expense is inclusive of the bareboat charter fees for the rigs leased from us. Cost incurred under the Secondment Agreement are included in contract drilling expense and general and administrative, depending on the function to which the seconded employee's service related. Substantially all costs incurred under the Transition Services Agreement are included in general and administrative. See additional discussion below regarding these related-party transactions.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenues	\$ 117.7	\$ 145.6	\$ 365.2	\$ 431.9
Operating expenses				
Contract drilling (exclusive of depreciation)	94.4	99.0	273.4	319.8
Depreciation	16.8	14.8	47.5	41.1
General and administrative	5.4	5.8	12.7	21.2
Operating income	1.1	26.0	31.6	49.8
Other expense, net	3.4	6.7	11.0	20.0
Provision (benefit) for income taxes	.2	(6.1)	6.6	(5.4)
Net income (loss)	\$ (2.5)	\$ 25.4	\$ 14.0	\$ 35.2

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 309.0	\$ 237.7
Other current assets	98.0	120.9
Non-current assets	776.1	804.0
Total assets	\$ 1,183.1	\$ 1,162.6
Current liabilities	\$ 77.1	\$ 70.8
Non-current liabilities	951.0	950.8
Total liabilities	\$ 1,028.1	\$ 1,021.6

Equity in Earnings of ARO

We account for our interest in ARO using the equity method of accounting and only recognize our portion of ARO's net income, adjusted for basis differences as discussed below, which is included in equity in earnings (losses) of ARO in our Condensed Consolidated Statements of Operations. ARO is a variable interest entity; however, we are not the primary beneficiary and therefore do not consolidate ARO. Judgments regarding our level of influence over ARO included considering key factors such as each partner's ownership interest, representation on the board of managers of ARO and ability to direct activities that most significantly impact ARO's economic performance, including the ability to influence policy-making decisions. Our investment in ARO would be assessed for impairment if there were changes in facts and circumstances that indicate a loss in value may have occurred. If a loss were deemed to have occurred and this loss was determined to be other than temporary, the carrying value of our investment would be written down to fair value and an impairment recorded.

We have an equity method investment in ARO that was recorded at its estimated fair value as of the date we acquired our 50% interest on April 11, 2019 ("Investment Date"). We computed the difference between the fair value of ARO's net assets and the carrying value of those net assets in ARO's U.S. GAAP financial statements ("basis differences") on that date. These basis differences primarily relate to ARO's long-lived assets and the recognition of intangible assets associated with certain of ARO's drilling contracts that were determined to have favorable terms. Additionally, in fresh start accounting, we have recorded our investment in ARO at its estimated fair value as of the date of emergence. Basis differences on that date primarily related to ARO's long-lived assets.

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

	Successor Three Months Ended September 30, 2021	Predecessor Three Months Ended September 30, 2020
50% interest in ARO net income	\$ (1.3)	\$ 12.7
Amortization of basis differences	3.9	(8.8)
Equity in earnings of ARO	\$ 2.6	\$ 3.9

	Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
50% interest in ARO net income	\$ 1.0	\$ 6.0	\$ 17.6
Amortization of basis differences	6.4	(2.9)	(25.2)
Equity in earnings (losses) of ARO	\$ 7.4	\$ 3.1	\$ (7.6)

Related-Party Transactions

Revenues recognized by us related to the Lease Agreements, Transition Services Agreement and Secondment Agreement are as follows (in millions):

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Lease revenue	\$ 14.2	\$ 21.0
Secondment and Transition Services revenue	.5	1.0
Total revenue from ARO ⁽¹⁾	\$ 14.7	\$ 22.0

	Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
Lease revenue	\$ 24.5	\$ 21.7	\$ 62.4
Secondment and Transition Services revenue	.9	1.1	23.0
Total revenue from ARO ⁽¹⁾	\$ 25.4	\$ 22.8	\$ 85.4

⁽¹⁾ All of the revenues presented above are included in our Other segment in our segment disclosures. See "[Note 15](#) - Segment Information" for additional information.

Amounts receivable from ARO related to the items above totaled \$6.5 million and \$21.6 million as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively, and are included in accounts receivable, net, on our Condensed Consolidated Balance Sheets.

We had \$28.5 million and \$30.9 million of Contract Liabilities related to the Lease Agreements as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively. Accounts payable to ARO totaled \$14.8 million as of September 30, 2021 (Successor). There were no accounts payable to ARO as of December 31, 2020 (Predecessor). Contract liabilities related to the Lease Agreements are subject to adjustment during the lease term. The per day bareboat charter amount in the Lease Agreements is subject to adjustment based on actual performance of the respective rig.

During 2017 and 2018, Rowan contributed cash to ARO in exchange for 10-year shareholder notes receivable at a stated interest rate of LIBOR plus two percent. As of September 30, 2021 (Successor) and December 31, 2020 (Predecessor), the carrying amount of the long-term notes receivable from ARO was \$241.3 million and \$442.7 million, respectively. The notes receivable were adjusted to fair value as of the emergence date. The discount to the principal amount of \$442.7 million will be amortized using the effective interest method to interest

income over the remaining terms of the notes. The Shareholders' Agreement prohibits the sale or transfer of the shareholder note to a third party, except in certain limited circumstances. The notes receivable may be reduced by future Company obligations to the joint venture. Interest is recognized as interest income in our Condensed Consolidated Statement of Operations. For the Successor, during the three and five months ended September 30, 2021, interest totaled \$2.7 million and \$4.4 million, respectively. For the Predecessor, the four months ended April 30, 2021, interest totaled \$3.5 million. Interest totaled \$4.5 million and \$13.7 million for the three and nine months ended September 30, 2020, respectively. As of September 30, 2021 (Successor), our interest receivable from ARO was \$7.9 million, which is included in Accounts receivable, net, on our Condensed Consolidated Balance Sheet. There was no interest receivable from ARO as of December 31, 2020 (Predecessor).

Maximum Exposure to Loss

The following table summarizes the total assets and liabilities as reflected in our Condensed Consolidated Balance Sheets as well as our maximum exposure to loss related to ARO (in millions). Our maximum exposure to loss is limited to (1) our equity investment in ARO; (2) the carrying amount of our shareholder notes receivable; and (3) other receivables and contract assets related to services provided to ARO, partially offset by contract liabilities as well as payables for services received.

	Successor September 30, 2021	Predecessor December 31, 2020
Total assets	\$ 343.9	\$ 585.2
Less: total liabilities	43.3	30.9
Maximum exposure to loss	\$ 300.6	\$ 554.3

Note 6 - Fair Value Measurements

The following fair value hierarchy table categorizes information regarding our financial assets and liabilities measured at fair value on a recurring basis (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of December 31, 2020 (Predecessor)				
Supplemental executive retirement plan assets	22.6	—	—	22.6
Total financial assets	\$ 22.6	\$ —	\$ —	\$ 22.6

Supplemental Executive Retirement Plan Assets

Our supplemental executive retirement plans (the "SERP") are non-qualified plans that provided eligible employees an opportunity to defer a portion of their compensation for use after retirement. The SERP were frozen to the entry of new participants in November 2019 and to future compensation deferrals as of January 1, 2020. Assets held in a rabbi trust maintained for the SERP were marketable securities measured at fair value on a recurring basis using Level 1 inputs and were included in other assets, net, on our Condensed Consolidated Balance Sheets as of December 31, 2020. The fair value measurements of assets held in the SERP were based on quoted market prices. Pursuant to the plan of reorganization, the assets held in the rabbi trust maintained for the SERP were liquidated upon emergence from Chapter 11 Cases and used to satisfy the claims of creditors. Commencing with the quarter ending September 30, 2021, we amended the SERP to provide for quarterly credits of an interest equivalent based upon the rate of interest paid on ten-year United States treasury notes in November of the immediately preceding calendar year and the participant plan balances as of the first day of such quarter.

Other Financial Instruments

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

	Successor		Predecessor	
	September 30, 2021		December 31, 2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Secured first lien notes due 2028	\$ 545.1	\$ 570.8	\$ —	\$ —
6.875% Senior notes due 2020	—	—	122.9	8.6
4.70% Senior notes due 2021	—	—	100.7	4.5
4.875% Senior notes due 2022	—	—	620.8	32.9
3.00% Exchangeable senior notes due 2024 ⁽¹⁾	—	—	849.5	76.5
4.50% Senior notes due 2024	—	—	303.4	13.7
4.75% Senior notes due 2024	—	—	318.6	18.8
8.00% Senior notes due 2024	—	—	292.3	12.9
5.20% Senior notes due 2025	—	—	333.7	12.7
7.375% Senior notes due 2025	—	—	360.8	20.9
7.75% Senior notes due 2026	—	—	1,000.0	44.0
7.20% Debentures due 2027	—	—	112.1	5.7
7.875% Senior notes due 2040	—	—	300.0	21.0
5.40% Senior notes due 2042	—	—	400.0	23.6
5.75% Senior notes due 2044	—	—	1,000.5	38.0
5.85% Senior notes due 2044	—	—	400.0	26.0
Amounts borrowed under Revolving Credit Facility ⁽²⁾	—	—	581.0	581.0
Total debt	\$ 545.1	\$ 570.8	\$ 7,096.3	\$ 940.8
Less : Liabilities Subject to Compromise ⁽³⁾	—	—	7,096.3	940.8
Total long-term debt	\$ 545.1	\$ 570.8	\$ —	\$ —

⁽¹⁾ For the Predecessor, the 3% exchangeable senior notes due 2024 (the "2024 Convertible Notes") were exchangeable into cash, our Class A ordinary shares or a combination thereof. The 2024 Convertible Notes were separated, at issuance, into their liability and equity components on our Condensed Consolidated Balance Sheet. The equity component was initially recorded to additional paid-in capital and as a debt discount and the discount was being amortized to interest expense over the life of the instrument. As

discussed above, the carrying amount at December 31, 2020 represented the aggregate principal amount of these notes as of the Petition Date and were classified as Liabilities Subject to Compromise in our Condensed Consolidated Balance Sheet as of December 31, 2020. The Predecessor discontinued accruing interest on these notes as of the Petition Date. The equity component was \$220.0 million and was classified as Additional Paid-in Capital as of December 31, 2020. On the Effective Date, in accordance with the plan of reorganization, all outstanding obligations under the 2024 Convertible Notes were cancelled and the equity component was written off to retained earnings.

- (2) In addition to the amount borrowed above, the Predecessor had \$27.0 million in undrawn letters of credit issued under the Revolving Credit Facility as of December 31, 2020. On the emergence date, in accordance with the plan of reorganization, all undrawn letters of credit issued under the Revolving Credit Facility were collateralized pursuant to the terms of the Revolving Credit Facility. As of September 30, 2021 (Successor), we had \$19.5 million of collateralized letters of credit issued by lenders of the Revolving Credit Facility and \$29.9 million with respect to all letter of credit agreements.
- (3) As discussed in “[Note 2](#) - Chapter 11 Proceedings” and “[Note 3](#) - Fresh Start Accounting,” since the Petition Date and through the Effective Date, the Company operated as a debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the provisions of the Bankruptcy Code. Accordingly, all of our long-term debt obligations were presented as Liabilities Subject to Compromise in our Condensed Consolidated Balance Sheet as of December 31, 2020. All unamortized debt discounts, premiums or issuance costs related to our long-term debt obligations were written off to reorganization items as of the Petition Date in 2020.

The estimated fair values of the Successor's First Lien Notes and the Predecessor's Senior Notes were determined using quoted market prices, which are level 1 inputs. As of September 30, 2021, the estimated fair value of our notes receivable was \$244.2 million and was estimated by using an income approach to value the forecasted cash flows attributed to the notes receivable using a discount rate based on comparable yield with a country-specific risk premium.

The estimated fair values of our cash and cash equivalents, restricted cash, accounts receivable and trade payables approximated their carrying values as of September 30, 2021 and December 31, 2020.

As discussed above, the carrying amount of debt instruments at December 31, 2020 represents the Predecessor's outstanding borrowings as of the Petition Date and are classified as Liabilities Subject to Compromise in our Condensed Consolidated Balance Sheet as of December 31, 2020. We discontinued accruing interest on our indebtedness as of the Petition Date.

Note 7 - Property and Equipment

Property and equipment as of September 30, 2021 and December 31, 2020 consisted of the following (in millions):

	Successor September 30, 2021	Predecessor December 31, 2020
Drilling rigs and equipment	\$ 865.6	\$ 12,584.4
Work-in-progress	33.3	446.1
Other	34.2	178.8
	\$ 933.1	\$ 13,209.3

Impairments of Long-Lived Assets

Predecessor

During the four months ended April 30, 2021, we recorded an aggregate pre-tax, non-cash impairment with respect to certain floaters of \$756.5 million, which is included in loss on impairment in our Condensed Consolidated Statement of Operations.

During the first and second quarters of 2020, we recorded an aggregate pre-tax, non-cash impairment with respect to certain floaters, jackups and spare equipment of \$3.6 billion which is included in loss on impairment in our Condensed Consolidated Statement of Operations.

Assets held-for-use

On a quarterly basis, we evaluate the carrying value of our property and equipment to identify events or changes in circumstances ("triggering events") that indicate the carrying value may not be recoverable. For rigs whose carrying values were determined not to be recoverable, we recorded an impairment for the difference between their fair values and carrying values.

Predecessor

During the first quarter of 2021, as a result of challenging market conditions for certain of our floaters, we revised our near-term operating assumptions which resulted in a triggering event for purposes of evaluating impairment. We determined that the estimated undiscounted cash flows were not sufficient to recover the carrying values for certain rigs and concluded they were impaired as of March 31, 2021.

Based on the asset impairment analysis performed as of March 31, 2021, we recorded a pre-tax, non-cash loss on impairment in the first quarter for certain floaters totaling \$756.5 million. We measured the fair value of these assets to be \$26.0 million at the time of impairment by applying either an income approach, using projected discounted cash flows or estimated sales price. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including, in the case of an income approach, assumptions regarding future day rates, utilization, operating costs and capital requirements. In instances where we applied an income approach, forecasted day rates and utilization took into account current market conditions and our anticipated business outlook.

During the first quarter of 2020, the COVID-19 global pandemic and the response thereto negatively impacted the macro-economic environment and global economy. Global oil demand fell sharply at the same time global oil supply increased as a result of certain oil producers competing for market share which lead to a supply glut. As a consequence, Brent crude oil fell from around \$60 per barrel at year-end 2019 to around \$20 per barrel as of mid-April 2020. These adverse changes and impacts to our customer's capital expenditure plans in the first quarter resulted in further deterioration in our forecasted day rates and utilization for the remainder of 2020 and beyond. As a result, we concluded that a triggering event had occurred, and we performed a fleet-wide recoverability test. We determined that our estimated undiscounted cash flows were not sufficient to recover the carrying values of certain rigs and concluded such were impaired as of March 31, 2020.

Based on the asset impairment analysis performed as of March 31, 2020, we recorded a pre-tax, non-cash loss on impairment in the first quarter with respect to certain floaters, jackups and spare equipment totaling \$2.8 billion. We measured the fair value of these assets to be \$72.3 million at the time of impairment by applying either an income approach, using projected discounted cash flows or estimated sales price. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including, in the case of an income approach, assumptions regarding future day rates, utilization, operating costs and capital requirements. In instances where we applied an income approach, forecasted day rates and utilization took into account then

current market conditions and our anticipated business outlook at that time, both of which had been impacted by the adverse changes in the business environment observed during the first quarter of 2020.

During the second quarter of 2020, given the anticipated sustained market impacts arising from the decline in oil price and demand late in the first quarter, we revised our long-term operating assumptions which resulted in a triggering event for purposes of evaluating impairment and we performed a fleet-wide recoverability test. As a result, we recorded a pre-tax, non-cash impairment with respect to two floaters and spare equipment totaling \$817.3 million. We measured the fair value of these assets to be \$69.0 million at the time of impairment by applying an income approach or estimated scrap value. These valuations were based on unobservable inputs that require significant judgments for which there is limited information including, in the case of the income approach, assumptions regarding future day rates, utilization, operating costs and capital requirements.

Assets held-for-sale

Our business strategy has been to focus on ultra-deepwater floater and premium jackup operations and de-emphasize other assets and operations that are not part of our long-term strategic plan or that no longer meet our standards for economic returns. We continue to focus on our fleet management strategy in light of the composition of our rig fleet. While taking into account certain restrictions on the sales of assets under our Indenture dated April 30, 2021 (the “First Lien Notes Indenture”), see “[Note 11](#) – Debt” for additional details on restrictions, as part of our strategy, we may act opportunistically from time to time to monetize assets to enhance stakeholder value and improve our liquidity profile, in addition to reducing holding costs by selling or disposing of older, lower-specification or non-core rigs. To this end, we continually assess our rig portfolio and actively work with our rig broker to market certain rigs.

On a quarterly basis, we assess whether any rig meets the criteria established for held-for-sale classification on our balance sheet. All rigs classified as held-for-sale are recorded at fair value, less costs to sell. We measure the fair value of our assets held-for-sale by applying a market approach based on unobservable third-party estimated prices that would be received in exchange for the assets in an orderly transaction between market participants or a negotiated sales price. We reassess the fair value of our held-for-sale assets on a quarterly basis and adjust the carrying value, as necessary.

During the third quarter of 2021 (Successor), we classified VALARIS 142 and VALARIS 22, both rigs included in our Jackups segment, as held-for-sale. The fair value, less cost to sell, based on each rig's estimated sales price, was in excess of the respective carrying value. In October 2021, we completed the sale of both rigs.

Assets held-for-sale had an aggregate carrying value of \$2.3 million and is included in other assets, net, on our Condensed Consolidated Balance Sheet as of September 30, 2021 (Successor) and December 31, 2020 (Predecessor).

Note 8 - Pension and Other Post-retirement Benefits

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

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Service cost ⁽¹⁾	\$ —	\$.7
Interest cost ⁽²⁾	5.8	6.6
Expected return on plan assets ⁽²⁾	(9.5)	(9.6)
Net periodic pension and retiree medical cost (income)	\$ (3.7)	\$ (2.3)

	Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
Service cost ⁽¹⁾	\$ —	\$ —	\$ 2.0
Interest cost ⁽²⁾	9.6	6.6	19.5
Expected return on plan assets ⁽²⁾	(15.7)	(12.1)	(28.6)
Amortization of net loss ⁽²⁾	—	.1	—
Net periodic pension and retiree medical cost (income)	\$ (6.1)	\$ (5.4)	\$ (7.1)

⁽¹⁾ Included in contract drilling and general and administrative expense in our Condensed Consolidated Statements of Operations.

⁽²⁾ Included in other, net, in our Condensed Consolidated Statements of Operations.

During the five months ended September 30, 2021 (Successor), we contributed \$1.7 million to our pension and other post-retirement benefit plans. During the four months ended April 30, 2021 (Predecessor), we contributed \$22.5 million to our pension and other post-retirement benefit plans, of which \$7.0 million and \$5.3 million relate to the 2020 and 2019 plan year contributions, respectively, that were deferred under the U. S. Cares Act. Additionally, in March 2021, the American Rescue Plan Act of 2021 ("ARPA-21") was passed. ARPA-21 provides funding relief for U.S. qualified pension plans which should lower pension contribution requirements over the next few years. As a result, we will not make contributions to certain plans for the remainder of 2021. However, we expect to make contributions to certain other plans for the remainder of 2021 of approximately \$1.2 million. These amounts represent the minimum contributions we are required to make under relevant statutes. We do not expect to make contributions in excess of the minimum required amounts.

Note 9 - Derivative Instruments

Our functional currency is the U.S. dollar. As is customary in the oil and gas industry, a majority of our revenues are denominated in U.S. dollars; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. We previously used derivatives to reduce our exposure to various market risks, primarily foreign currency exchange rate risk.

The commencement of the Chapter 11 Cases constituted a termination event with respect to the Company's derivative instruments, which permitted the counterparties of our derivative instruments to terminate their outstanding contracts. The exercise of these termination rights are not stayed under the Bankruptcy Code and the counterparties elected to terminate their outstanding derivatives with us in September 2020. As a result, we do not have derivative assets or liabilities on our Condensed Consolidated Balance Sheet as of December 31, 2020 (Predecessor). During the four months ended April 30, 2021 (Predecessor) and five months ended September 30, 2021 (Successor), we did not enter into derivative contracts; therefore, we do not have derivative assets or liabilities on our Condensed Consolidated Balance Sheet as of September 30, 2021.

We previously utilized cash flow hedges to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk associated with contract drilling expense and capital expenditures denominated in various currencies.

Gains and losses, net of tax, on derivatives designated as cash flow hedges included in our Condensed Consolidated Statements of Operations and comprehensive loss were as follows (in millions):

	Gain Recognized in Other Comprehensive Loss ("OCI") on Derivatives (Effective Portion)		Gain Reclassified from ("AOCI") into Income (Effective Portion) ⁽¹⁾	
	Successor	Predecessor	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Foreign currency forward contracts ⁽²⁾	\$ —	\$ 2.7	\$ —	\$ (.5)

	Loss Recognized in Other Comprehensive Loss ("OCI") on Derivatives (Effective Portion)			Gain Reclassified from ("AOCI") into Income (Effective Portion) ⁽¹⁾		
	Successor	Predecessor		Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
Foreign currency forward contracts ⁽³⁾	\$ —	\$ —	\$ (5.4)	\$ —	\$ (5.6)	\$ (11.5)

⁽¹⁾ Changes in the fair value of cash flow hedges are recorded in AOCI. Amounts recorded in AOCI associated with cash flow hedges are subsequently reclassified into contract drilling, depreciation or interest expense as earnings are affected by the underlying hedged forecasted transaction.

⁽²⁾ During the three months ended September 30, 2020 (Predecessor), \$0.5 million of gains were reclassified from AOCI into contract drilling expense and no gain or loss were reclassified from AOCI into depreciation expense in our Condensed Consolidated Statement of Operations.

- ⁽³⁾ During the four months ended April 30, 2021 (Predecessor), \$5.6 million of gains were reclassified from AOCI into impairment expense in our Condensed Consolidated Statement of Operations in connection with the impairment of certain rigs. During the nine months ended September 30, 2020 (Predecessor), \$2.0 million of losses were reclassified from AOCI into contract drilling expense and \$13.5 million of gains were reclassified from AOCI into depreciation expense in our Condensed Consolidated Statement of Operations.

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to foreign currency exchange rate risk. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. Historically, we have occasionally entered into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities but did not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally existed whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. Net losses of \$1.5 million and \$0.2 million associated with our derivatives not designated as hedging instruments were included in other, net, in our Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2020 (Predecessor), respectively.

Note 10 - Earnings Per Share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Weighted-average shares outstanding used in our computation of diluted EPS is calculated using the treasury stock method and for the Successor includes the effect of all potentially dilutive Warrants, restricted stock unit awards and performance stock unit awards and for the Predecessor includes the effect of all potentially dilutive stock options and excludes non-vested shares. For the Successor, during the three and five months ended September 30, 2021, our potentially dilutive instruments were not included in the computation of diluted EPS as the effect of including these shares in the calculation would have been anti-dilutive. Similarly, for the Predecessor, during the four months ended April 30, 2021 and three and nine months ended September 30, 2020, our potentially dilutive instruments were not included in the computation of diluted EPS as the effect of including these shares in the calculation would have been anti-dilutive.

For the Successor, during the three and five months ended September 30, 2021, loss from continuing operations attributable to our shares was \$54.5 million and \$60.7 million respectively.

For the Predecessor, during four months ended April 30, 2021, loss from continuing operations attributable to our shares was \$4.5 billion. During three and nine months ended September 30, 2020, loss from continuing operations attributable to our shares were \$0.7 billion and \$4.8 billion respectively. No amounts were allocated to non-vested share awards in these periods given that losses are not allocated to non-vested share awards.

For the Successor, during the three and five months ended September 30, 2021, there were approximately 600,000 and 400,000 anti-dilutive shares, respectively. For the Predecessor, during the four months ended April 30, 2021, anti-dilutive share awards totaling 300,000 were excluded from the computation of diluted EPS. Anti-dilutive share awards totaling 400,000 were excluded from the computation of diluted EPS for both the three and nine months ended September 30, 2020. Due to the net loss position, potentially dilutive share awards are excluded from the computation of diluted EPS.

On the Effective Date and pursuant to the plan of reorganization, all of the Predecessor's ordinary shares were cancelled. In accordance with the plan of reorganization, all agreements, instruments and other documents evidencing, relating or otherwise connected with any of Legacy Valaris' equity interests outstanding prior to the Effective Date, including all equity-based awards, were cancelled.

On the Effective Date and pursuant to the plan of reorganization, the Company issued 5,645,161 Warrants, to the former holders of the Company's equity interests outstanding prior to the Effective Date. The Warrants are exercisable for one Common Share per Warrant at initial exercise price of \$131.88 per Warrant, in each case as may be adjusted from time to time pursuant to the applicable warrant agreement. The Warrants are exercisable for a period of seven years and will expire on April 29, 2028. The exercise of these Warrants into Common Shares would have a dilutive effect to the holdings of Valaris Limited's existing shareholders.

Note 11 - Debt

First Lien Notes Indenture

On the Effective Date, in accordance with the plan of reorganization and Backstop Commitment Agreement, dated August 18, 2020 (as amended, the "BCA"), the Company consummated the rights offering of the First Lien Notes and associated shares in an aggregate principal amount of \$550.0 million. In accordance with the BCA, certain holders of senior notes claims and certain holders of claims under the Revolving Credit Facility ("Backstop Parties") who provided backstop commitments received the backstop premium.

The First Lien Notes were issued pursuant to the First Lien Notes Indenture, among the Company, certain direct and indirect subsidiaries of the Company as guarantors, and Wilmington Savings Fund Society, FSB, as collateral agent and trustee (in such capacities, the "Collateral Agent").

The First Lien Notes are guaranteed, jointly and severally, on a senior basis, by certain of the direct and indirect subsidiaries of the Company. The First Lien Notes and such guarantees are secured by first-priority perfected liens on 100% of the equity interests of each Restricted Subsidiary directly owned by the Company or any guarantor and a first-priority perfected lien on substantially all assets of the Company and each guarantor of the First Lien Notes, in each case subject to certain exceptions and limitations. The following is a brief description of the material provisions of the First Lien Notes Indenture and the First Lien Notes.

The First Lien Notes are scheduled to mature on April 30, 2028. Interest on the First Lien Notes accrues, at our option, at a rate of: (i) 8.25% per annum, payable in cash; (ii) 10.25% per annum, with 50% of such interest to be payable in cash and 50% of such interest to be paid in kind; or (iii) 12% per annum, with the entirety of such interest to be paid in kind. The Company shall pay interest semi-annually in arrears on May 1 and November 1 of each year, commencing November 1, 2021. Interest on the First Lien Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from April 30, 2021. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

At any time prior to April 30, 2023, the Company may redeem up to 35% of the aggregate principal amount of the First Lien Notes at a redemption price of 104% up to the net cash proceeds received by the Company from equity offerings provided that at least 65% of the aggregate principal amount of the First Lien Notes remains outstanding and provided that the redemption occurs within 120 days after such equity offering of the Company. At any time prior to April 30, 2023, the Company may redeem the First Lien Notes at a redemption price of 104% plus a "make-whole" premium. On or after April 30, 2023, the Company may redeem all or part of the First Lien Notes at fixed redemption prices (expressed as percentages of the principal amount), plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The Company may also redeem the First Lien Notes, in whole or in part, at any time and from time to time on or after April 30, 2026 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. Notwithstanding the foregoing, if a Change of Control (as defined in the First Lien Notes Indenture, with certain exclusions as provided therein) occurs, the Company will be required to make an offer to repurchase all or any part of each note holder's notes at a purchase price equal to 101% of the aggregate principal amount of First Lien Notes repurchased, plus accrued and unpaid interest to, but excluding, the applicable date.

The First Lien Notes Indenture contains covenants that limit, among other things, the Company's ability and the ability of the guarantors and other restricted subsidiaries, to: (i) incur, assume or guarantee additional

indebtedness; (ii) pay dividends or distributions on Equity Interests (as defined in the First Lien Notes Indenture) or redeem or repurchase equity interests; (iii) make investments; (iv) repay or redeem junior debt; (v) transfer or sell assets; (vi) enter into sale and lease back transactions; (vii) create, incur or assume liens; and (viii) enter into transactions with certain affiliates. These covenants are subject to a number of important limitations and exceptions.

The First Lien Notes Indenture also provides for certain customary events of default, including, among other things, nonpayment of principal or interest, breach of covenants, failure to pay final judgments in excess of a specified threshold, failure of a guarantee to remain in effect, failure of a collateral document to create an effective security interest in collateral, with a fair market value in excess of a specified threshold, bankruptcy and insolvency events, cross payment default and cross acceleration, which could permit the principal, premium, if any, interest and other monetary obligations on all the then outstanding First Lien Notes to be declared due and payable immediately.

The Company incurred \$5.2 million in issuance costs in association with the First Lien Notes that are being amortized into interest expense over the expected life of the notes using the effective interest method.

Predecessor Debtor in Possession Financing

On September 25, 2020, following approval by the Bankruptcy Court, the Debtors entered into the Debtor-in-Possession ("DIP") Credit Agreement (the "DIP Credit Agreement"), by and among the Company and certain wholly owned subsidiaries of the Company, as borrowers, the lenders party thereto and Wilmington Savings Fund Society, FSB, as administrative agent and security trustee, in an aggregate amount not to exceed \$500.0 million that will be used to finance, among other things, the ongoing general corporate needs of the Debtors during the course of the Chapter 11 Cases and to pay certain fees, costs and expenses associated with the Chapter 11 Cases. As of the Effective Date, there were no borrowings outstanding against our DIP facility and there were no DIP claims that were not due and payable on, or that otherwise survived, the Effective Date. The DIP Credit Agreement terminated on the Effective Date.

Predecessor Senior Notes and Revolving Credit Facility

On the Effective Date, in accordance with the plan of reorganization, all outstanding obligations under the Predecessor's Senior Notes, including the 2024 Convertible Notes, and the Revolving Credit Facility were cancelled and the holders thereunder received their pro rata share of certain Common Shares issued on the Effective Date. See "[Note 12](#) - Shareholders' Equity" for additional information regarding the issuance of the Common Shares.

Note 12 - Shareholders' Equity

Activity in our various shareholders' equity accounts for the three and five months ended September 30, 2021 (Successor), four months ended April 30, 2021 (Predecessor), and three and nine months ended September 30, 2020 (Predecessor) were as follows (in millions, except per share amounts):

	Shares	Par Value	Additional Paid-in Capital	Warrants	Retained Earnings (Deficit)	AOCI	Treasury Shares	Non- controlling Interest
BALANCE, December 31, 2020 (Predecessor)	206.1	\$ 82.6	\$ 8,639.9	\$ —	\$ (4,183.8)	\$ (87.9)	\$ (76.2)	\$ (4.3)
Net loss	—	—	—	—	(910.0)	—	—	2.4
Shares issued under share-based compensation plans, net	—	—	(.2)	—	—	—	.2	—
Net changes in pension and other postretirement benefits	—	—	—	—	—	.1	—	—
Share-based compensation cost	—	—	3.8	—	—	—	—	—
Net other comprehensive loss	—	—	—	—	—	(5.4)	—	—
BALANCE, March 31, 2021 (Predecessor)	206.1	\$ 82.6	\$ 8,643.5	\$ —	\$ (5,093.8)	\$ (93.2)	\$ (76.0)	\$ (1.9)
Net loss	—	—	—	—	(3,557.0)	—	—	.8
Shares issued under share-based compensation plans, net	—	—	(.5)	—	—	—	.5	—
Share-based compensation cost	—	—	1.0	—	—	—	—	—
Net other comprehensive loss	—	—	—	—	—	(.2)	—	—
Cancellation of Predecessor equity	(206.1)	(82.6)	(8,644.0)	—	8,650.8	93.4	75.5	—
Issuance of Successor Common Shares and Warrants	75.0	.8	1,078.7	16.4	—	—	—	—
BALANCE, April 30, 2021 (Predecessor)	75.0	\$.8	\$ 1,078.7	\$ 16.4	\$ —	\$ —	\$ —	\$ (1.1)
BALANCE, May 1, 2021 (Successor)	75.0	\$.8	\$ 1,078.7	\$ 16.4	\$ —	\$ —	\$ —	\$ (1.1)
Net loss	—	—	—	—	(6.2)	—	—	\$ 2.1
Net other comprehensive loss	—	—	—	—	—	(.2)	—	\$ —
BALANCE, June 30, 2021 (Successor)	75.0	\$.8	\$ 1,078.7	\$ 16.4	\$ (6.2)	\$ (.2)	\$ —	\$ 1.0
Net loss	—	—	—	—	(54.5)	—	—	1.7
Share-based compensation cost	—	—	1.6	—	—	—	—	—
BALANCE, September 30, 2021 (Successor)	75.0	.8	1,080.3	16.4	(60.7)	(.2)	—	2.7

	Shares	Par Value	Additional Paid-in Capital	Retained Earnings (Deficit)	AOCI	Treasury Shares	Non-controlling Interest
BALANCE, December 31, 2019 (Predecessor)	205.9	\$ 82.5	\$ 8,627.8	\$ 671.7	\$ 6.2	\$ (77.3)	\$ (1.3)
Net loss	—	—	—	(3,006.3)	—	—	(1.4)
Shares issued under share-based compensation plans, net	—	—	(.7)	—	—	.9	—
Repurchase of shares	—	—	—	—	—	(.9)	—
Share-based compensation cost	—	—	7.8	—	—	—	—
Net other comprehensive loss	—	—	—	—	(13.4)	—	—
BALANCE, March 31, 2020 (Predecessor)	205.9	\$ 82.5	\$ 8,634.9	\$ (2,334.6)	\$ (7.2)	\$ (77.3)	\$ (2.7)
Net loss	—	—	—	(1,107.4)	—	—	(1.4)
Shares issued under share-based compensation plans, net	.2	.1	(.7)	—	—	.6	—
Repurchase of shares	—	—	—	—	—	(.1)	—
Share-based compensation cost	—	—	5.7	—	—	—	—
Net other comprehensive loss	—	—	—	—	(6.1)	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(.9)
BALANCE, June 30, 2020 (Predecessor)	206.1	\$ 82.6	\$ 8,639.9	\$ (3,442.0)	\$ (13.3)	\$ (76.8)	\$ (5.0)
Net loss	—	—	—	(670.9)	—	—	(1.1)
Shares issued under share-based compensation plans, net	—	—	(.5)	—	—	.5	—
Share-based compensation cost	—	—	4.3	—	—	—	—
Purchase of noncontrolling interests	—	—	(7.2)	—	—	—	—
Net other comprehensive income	—	—	—	—	2.1	—	—
BALANCE, September 30, 2020 (Predecessor)	206.1	\$ 82.6	\$ 8,636.5	\$ (4,112.9)	\$ (11.2)	\$ (76.3)	\$ (6.1)

Valaris Limited Share Capital

As of the Effective Date, the authorized share capital of Valaris Limited is \$8.5 million divided into 700 million Common Shares of a par value of \$0.01 each and 150 million preference shares of a par value of \$0.01.

Issuance of Common Shares

On the Effective Date, pursuant to the plan of reorganization, we issued 75 million Common Shares.

Cancellation of Predecessor Equity and Issuance of Warrants

On the Effective Date and pursuant to the plan of reorganization, the Legacy Valaris Class A ordinary shares were cancelled and the Company issued 5,645,161 Warrants to the former holders of the Company's equity interests outstanding prior to the Effective Date. The Warrants are exercisable for one Common Share per Warrant at an initial exercise price of \$131.88 per Warrant, in each case as may be adjusted from time to time pursuant to the applicable warrant agreement. The Warrants are exercisable for a period of seven years and will expire on April 29, 2028. The exercise of these Warrants into Common Shares would have a dilutive effect to the holdings of Valaris Limited's existing shareholders.

Management Incentive Plan

In accordance with the plan of reorganization, Valaris Limited adopted the 2021 Management Incentive Plan (the “MIP”) as of the Effective Date and authorized and reserved 8,960,573 Common Shares for issuance pursuant to equity incentive awards to be granted under the MIP, which may be in the form of incentive stock options, nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, dividend equivalents and cash awards or any combination thereof.

Note 13 - Income Taxes

Valaris Limited, the Successor Company and our parent company, is domiciled and resident in Bermuda. Our subsidiaries conduct operations and earn income in numerous countries and are subject to the laws of taxing jurisdictions within those countries. The income of our non-Bermuda subsidiaries is not subject to Bermuda taxation as there is not an income tax regime in Bermuda. Valaris plc, the Predecessor Company and our former parent company, was domiciled and resident in the U.K. The income of our non-U.K. subsidiaries was generally not subject to U.K. taxation.

Income tax rates and taxation systems in the jurisdictions in which our subsidiaries conduct operations vary and our subsidiaries are frequently subjected to minimum taxation regimes. In some jurisdictions, tax liabilities are based on gross revenues, statutory deemed profits or other factors, rather than on net income and our subsidiaries are frequently unable to realize tax benefits when they operate at a loss. Accordingly, during periods of declining profitability, our income tax expense may not decline proportionally with income, which could result in higher effective income tax rates. Furthermore, we will continue to incur income tax expense in periods in which we operate at a loss.

Our drilling rigs frequently move from one taxing jurisdiction to another to perform contract drilling services. In some instances, the movement of drilling rigs among taxing jurisdictions will involve the transfer of ownership of the drilling rigs among our subsidiaries. As a result of frequent changes in the taxing jurisdictions in which our drilling rigs are operated and/or owned, changes in profitability levels and changes in tax laws, our annual effective income tax rate may vary substantially from one reporting period to another.

Historically, we calculated our provision for income taxes during interim reporting periods by applying the estimated annual effective tax rate for the full fiscal year to pre-tax income or loss, excluding discrete items, for the reporting period. We determined that since small changes in estimated pre-tax income or loss would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate of income taxes for the three and five months ended September 30, 2021 (Successor), four months ended April 30, 2021 (Predecessor), and three and nine months ended September 30, 2020 (Predecessor). We used a discrete effective tax rate method to calculate income taxes for the three and five months ended September 30, 2021 (Successor), four months ended April 30, 2021 (Predecessor), and three and nine months ended September 30, 2020 (Predecessor). We will continue to evaluate income tax estimates under the historical method in subsequent quarters and employ a discrete effective tax rate method if warranted.

Discrete income tax expense for the three months ended September 30, 2021(Successor) was \$39.2 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years. Discrete income tax expense for the five months ended September 30, 2021 (Successor) was \$44.8 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and resolution of other prior period tax matters. Discrete income tax expense for the four months ended April 30, 2021 (Predecessor) was \$2.2 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and resolution of other prior period tax matters offset by a discrete tax benefit related to fresh start accounting adjustments. Excluding the aforementioned discrete tax items, income tax expense for the three and five months ended September 30, 2021 (Successor) and four months ended April 30, 2021 (Predecessor) was \$14.1 million, \$23.6 million and \$14.0 million, respectively.

Discrete income tax expense for the three months ended September 30, 2020 (Predecessor) was \$13.8 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years, rig sales and reorganization items. Discrete income tax benefit for the nine months ended September 30, 2020 (Predecessor) was \$197.9 million and was primarily attributable to a restructuring transaction, rig impairments, implementation of the U.S. Cares Act, changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years, rig sales, reorganization items and the resolution of other prior period tax matters. Excluding the aforementioned discrete tax items, income tax expense for the three and nine months ended September 30, 2020 (Predecessor) was \$8.1 million and \$52.0 million, respectively.

Unrecognized Tax Benefits (Predecessor)

During 2019, the Luxembourg tax authorities issued aggregate tax assessments totaling approximately €142.0 million (approximately \$164.5 million converted using the current period-end exchange rates) related to tax years 2014, 2015 and 2016 for several of Rowan's Luxembourg subsidiaries. We recorded a liability for uncertain tax positions of €93.0 million (approximately \$107.7 million converted using the current period-end exchange rates) in purchase accounting related to these assessments. During the first quarter of 2020, in connection with the administrative appeals process, the tax authority withdrew assessments of €142.0 million (approximately \$164.5 million converted using the current period-end exchange rates), accepting the associated tax returns as previously filed. Accordingly, we de-recognized previously accrued liabilities for uncertain tax positions and net wealth taxes of €79.0 million (approximately \$91.5 million converted using the current period-end exchange rates) and €2.0 million (approximately \$2.3 million converted using the current period-end exchange rates), respectively. The de-recognition of amounts related to these assessments was recognized as a tax benefit during the three-month period ended March 31, 2020 and is included in changes in operating assets and liabilities on the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2020.

Note 14 - Contingencies

Indonesian Well-Control Event

In July 2019, a well being drilled offshore Indonesia by one of our jackup rigs experienced a well-control event requiring the cessation of drilling activities. In February 2020, the rig resumed operations. Indonesian authorities initiated an investigation into the event and have contacted the customer, us and other parties involved in drilling the well for additional information. We cooperated with the Indonesian authorities. We cannot predict the scope or ultimate outcome of this investigation. If the Indonesian authorities determine that we violated local laws in connection with this matter, we could be subject to penalties including environmental or other liabilities, which may have a material adverse impact on us.

ARO Funding Obligations

The Company and Saudi Aramco have agreed to take all steps necessary to ensure that ARO purchases 20 newbuild jackup rigs over an approximate 10-year period. In January 2020, ARO ordered the first two newbuild jackups for delivery scheduled in 2022. The partners intend for the newbuild jackup rigs to be financed out of available cash from ARO's operations and/or funds available from third-party debt financing. ARO paid a 25% down payment from cash on hand for each of the newbuilds ordered in January 2020. In the event ARO has insufficient cash from operations or is unable to obtain third-party financing, each partner may periodically be required to make additional capital contributions to ARO, up to a maximum aggregate contribution of \$1.25 billion from each partner to fund the newbuild program. Each partner's commitment shall be reduced by the actual cost of each newbuild rig, on a proportionate basis. The partners agreed that Saudi Aramco, as a customer, will provide drilling contracts to ARO in connection with the acquisition of the newbuild rigs. The initial contracts for each newbuild rig will be determined using a pricing mechanism that targets a six-year payback period for construction costs on an EBITDA basis. The initial eight-year contracts will be followed by a minimum of another eight years of term, re-priced in three-year intervals based on a market pricing mechanism.

Other Matters

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

In the ordinary course of business with customers and others, we have entered into letters of credit to guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Letters of credit outstanding as of September 30, 2021 (Successor) totaled \$151.1 million and are issued under facilities provided by various banks and other financial institutions. Obligations under these letters of credit are not normally called, as we typically comply with the underlying performance requirement. As of September 30, 2021 (Successor), we had collateral deposits in the amount of \$31.4 million with respect to these agreements.

Note 15 - Segment Information

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

Upon emergence, we ceased allocation of our onshore support costs included within contract drilling expenses to our operating segments for purposes of measuring segment operating income (loss) and as such, those costs are included in "Reconciling Items". We have adjusted the historical periods to conform with current period presentation. Further, general and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income (loss) and are included in "Reconciling Items." Substantially all of the expenses incurred associated with our Transition Services Agreement are included in general and administrative under "Reconciling Items" in the table set forth below. We measure segment assets as property and equipment.

The full operating results included below for ARO are not included within our consolidated results and thus deducted under "Reconciling Items" and replaced with our equity in earnings of ARO. See [Note 5](#) - Equity Method Investment in ARO" for additional information on ARO and related arrangements.

Three Months Ended September 30, 2021 (Successor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 104.3	\$ 186.3	\$ 117.7	\$ 36.1	\$ (117.7)	\$ 326.7
Operating expenses						
Contract drilling (exclusive of depreciation)	90.9	140.9	94.4	14.1	(66.0)	274.3
Depreciation	11.4	12.1	16.8	.9	(16.8)	24.4
General and administrative	—	—	5.4	—	21.8	27.2
Equity in earnings of ARO	—	—	—	—	2.6	2.6
Operating income (loss)	\$ 2.0	\$ 33.3	\$ 1.1	\$ 21.1	\$ (54.1)	\$ 3.4
Property and equipment, net	\$ 416.2	\$ 394.2	\$ 728.3	\$ 47.3	\$ (693.7)	\$ 892.3

Five Months Ended September 30, 2021 (Successor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 154.0	\$ 314.8	\$ 201.7	\$ 60.7	\$ (201.7)	\$ 529.5
Operating expenses						
Contract drilling (exclusive of depreciation)	136.1	236.4	157.3	23.3	(110.1)	443.0
Depreciation	19.3	19.9	26.5	1.7	(26.4)	41.0
General and administrative	—	—	8.5	—	31.4	39.9
Equity in earnings of ARO	—	—	—	—	7.4	7.4
Operating income (loss)	\$ (1.4)	\$ 58.5	\$ 9.4	\$ 35.7	\$ (89.2)	\$ 13.0
Property and equipment, net	\$ 416.2	\$ 394.2	\$ 728.3	\$ 47.3	\$ (693.7)	\$ 892.3

Four Months Ended April 30, 2021 (Predecessor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 115.7	\$ 232.4	\$ 163.5	\$ 49.3	\$ (163.5)	\$ 397.4
Operating expenses						
Contract drilling (exclusive of depreciation)	106.0	169.3	116.1	19.8	(73.4)	337.8
Loss on impairment	756.5	—	—	—	—	756.5
Depreciation	72.1	69.7	21.0	14.8	(18.0)	159.6
General and administrative	—	—	4.2	—	26.5	30.7
Equity in earnings of ARO	—	—	—	—	3.1	3.1
Operating income (loss)	\$ (818.9)	\$ (6.6)	\$ 22.2	\$ 14.7	\$ (95.5)	\$ (884.1)
Property and equipment, net	\$ 419.3	\$ 401.4	\$ 730.7	\$ 50.5	\$ (692.8)	\$ 909.1

Three Months Ended September 30, 2020 (Predecessor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 57.1	\$ 186.8	\$ 145.6	\$ 41.4	\$ (145.6)	\$ 285.3
Operating expenses						
Contract drilling (exclusive of depreciation)	112.1	140.7	99.0	16.4	(61.0)	307.2
Depreciation	55.8	52.9	14.8	11.3	(12.4)	122.4
General and administrative	—	—	5.8	—	66.3	72.1
Other operating income	118.1	—	—	—	—	118.1
Equity in earnings of ARO	—	—	—	—	3.9	3.9
Operating income (loss)	\$ 7.3	\$ (6.8)	\$ 26.0	\$ 13.7	\$ (134.6)	\$ (94.4)
Property and equipment, net	\$ 6,465.9	\$ 3,961.0	\$ 736.3	\$ 589.1	\$ (669.9)	\$ 11,082.4

Nine Months Ended September 30, 2020 (Predecessor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 400.3	\$ 585.9	\$ 431.9	\$ 144.5	\$ (431.9)	\$ 1,130.7
Operating expenses						
Contract drilling (exclusive of depreciation)	451.4	510.8	319.8	65.8	(193.9)	1,153.9
Loss on impairment	3,386.2	254.3	—	5.7	—	3,646.2
Depreciation	207.2	164.2	41.1	33.6	(27.7)	418.4
General and administrative	—	—	21.2	—	166.9	188.1
Other operating income	118.1	—	—	—	—	118.1
Equity in losses of ARO	—	—	—	—	(7.6)	(7.6)
Operating income (loss)	\$ (3,526.4)	\$ (343.4)	\$ 49.8	\$ 39.4	\$ (384.8)	\$ (4,165.4)
Property and equipment, net	\$ 6,465.9	\$ 3,961.0	\$ 736.3	\$ 589.1	\$ (669.9)	\$ 11,082.4

Information about Geographic Areas

As of September 30, 2021, the geographic distribution of our and ARO's drilling rigs was as follows:

	Floaters	Jackups	Other	Total Valaris	ARO
North & South America	5	6	—	11	—
Europe & the Mediterranean	7	13	—	20	—
Middle East & Africa	2	8	8	18	7
Asia & Pacific Rim	2	6	—	8	—
Held-for-sale	—	1	1	2	—
Total	16	34	9	59	7

We provide management services on two rigs owned by third-parties not included in the table above.

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

ARO has ordered two newbuild jackups which are under construction in the Middle East that are not included in the table above.

Note 16 - Supplemental Financial Information*Condensed Consolidated Balance Sheet Information*

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

	Successor September 30, 2021	Predecessor December 31, 2020
Trade	\$ 301.1	\$ 260.1
Income tax receivable	160.0	190.6
Other	11.1	14.7
	472.2	465.4
Allowance for doubtful accounts	(16.4)	(16.2)
	\$ 455.8	\$ 449.2

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

	Successor September 30, 2021	Predecessor December 31, 2020
Prepaid taxes	\$ 45.4	\$ 32.9
Prepaid expenses	28.4	43.4
Deferred costs	17.3	17.4
Materials and supplies	—	279.4
Other	25.9	13.4
	\$ 117.0	\$ 386.5

Other assets consisted of the following (in millions):

	Successor September 30, 2021	Predecessor December 31, 2020
Tax receivables	\$ 64.6	\$ 66.8
Deferred tax assets	39.5	21.9
Right-of-use assets	23.9	35.8
Supplemental executive retirement plan assets	—	22.6
Other	25.5	29.1
	\$ 153.5	\$ 176.2

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

	Successor September 30, 2021	Predecessor December 31, 2020
Personnel costs	\$ 75.6	\$ 95.6
Income and other taxes payable	58.5	50.8
Deferred revenue	32.5	57.6
Accrued interest	18.9	—
Lease liabilities	11.6	15.7
Other	26.7	30.7
	\$ 223.8	\$ 250.4

Other liabilities consisted of the following (in millions):

	Successor September 30, 2021	Predecessor December 31, 2020
Unrecognized tax benefits (inclusive of interest and penalties)	\$ 330.7	\$ 286.1
Pension and other post-retirement benefits	178.4	296.6
Intangible liabilities	—	50.4
Customer payable	—	35.5
Other	82.2	93.8
	\$ 591.3	\$ 762.4

Accumulated other comprehensive income (loss) consisted of the following (in millions):

	Successor September 30, 2021	Predecessor December 31, 2020
Pension and other post-retirement benefits	\$ (.2)	\$ (98.2)
Currency translation adjustment	—	6.5
Derivative instruments	—	5.6
Other	—	(1.8)
	\$ (.2)	\$ (87.9)

Condensed Consolidated Statement of Cash Flows Information

Our restricted cash of \$33.9 million at September 30, 2021 consists primarily of approximately \$31.4 million for the collateral on letters of credit. See " [Note 14](#) - Contingencies" for more information regarding our letters of credit.

Concentration of Risk

We are exposed to credit risk relating to our receivables from customers and our cash and cash equivalents. We mitigate our credit risk relating to receivables from customers, which consist primarily of major international, government-owned and independent oil and gas companies, by performing ongoing credit evaluations. We also maintain reserves for potential credit losses, which generally have been within our expectations. We mitigate our credit risk relating to cash and investments by focusing on diversification and quality of instruments.

Consolidated revenues by customer were as follows:

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Total ⁽¹⁾	14 %	5 %
BP ⁽²⁾	9 %	11 %
Other	77 %	84 %
	100 %	100 %

	Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
Total ⁽¹⁾	9 %	— %	10 %
BP ⁽²⁾	9 %	14 %	9 %
Other	82 %	86 %	81 %
	100 %	100 %	100 %

- (1) During the three and five months ended September 30, 2021, all revenues provided by Total were attributable to our Floaters segment.

During the three and nine months ended September 30, 2020, 32% and 75% of revenues provided by Total were attributable to the Floaters segment and the remaining were attributable to the Jackups segment.

- (2) During the three months ended September 30, 2021, 24% of the revenues provided by BP were attributable to our Jackups segment, 3% of the revenues were attributable to our Floaters segment and the remaining were attributable to our managed rigs. During the five months ended September 30, 2021, 24% of the revenues were attributable to our Jackups segment, 2% of the revenues were attributable to our Floaters segment and the remaining were attributable to our managed rigs. During the four months ended April 30, 2021, 37% of the revenue provided by BP were attributable to our Floaters segment, 17% of the revenue were attributable to our Jackups segment and the remaining were attributable to our managed rigs.

During the three months ended September 30, 2020, 24% of the revenues provided by BP were attributable to our Jackups segment, 14% of the revenues were attributable to our Floaters segment and the remaining were attributable to our managed rigs. During the nine months ended September 30, 2020, 21% of the revenues provided by BP were attributable to our Jackups segment, 23% of the revenues were attributable to our Floaters segment and the remaining were attributable to our managed rigs.

Consolidated revenues by region were as follows (in millions):

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
United Kingdom ⁽¹⁾	\$ 69.9	\$ 48.0
Norway ⁽¹⁾	49.4	53.5
U.S. Gulf of Mexico ⁽²⁾	40.2	38.0
Saudi Arabia ⁽³⁾	33.5	48.5
Mexico ⁽⁴⁾	33.4	23.3
Australia ⁽⁵⁾	33.4	18.6
Other	66.9	55.4
	\$ 326.7	\$ 285.3

	Successor	Predecessor	
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
United Kingdom ⁽¹⁾	\$ 111.0	\$ 75.7	\$ 153.3
Norway ⁽¹⁾	89.9	73.3	141.0
U.S. Gulf of Mexico ⁽²⁾	71.1	74.4	183.3
Saudi Arabia ⁽³⁾	58.7	53.6	189.7
Mexico ⁽⁴⁾	52.3	44.3	62.0
Australia ⁽⁵⁾	51.2	1.0	117.0
Other	95.3	75.1	284.4
	\$ 529.5	\$ 397.4	\$ 1,130.7

⁽¹⁾ During the three months ended September 30, 2021, five months ended September 30, 2021 and four months ended April 30, 2021 and three and nine months ended September 30, 2020, all revenues earned in the United Kingdom and Norway were attributable to our Jackups segment.

⁽²⁾ During the three and five months ended September 30, 2021, 46% and 50% of the revenues earned in U.S. Gulf of Mexico were attributable to our Floaters segment respectively. The remaining revenues were attributable to our managed rigs. During the four months ended April 30, 2021, 64% of the revenues earned in U.S. Gulf of Mexico were attributable to our Floaters segment. The remaining revenues were attributable to our managed rigs.

During the three months ended September 30, 2020, 38% of the revenues earned in U.S. Gulf of Mexico were attributable to our Floaters segment, 11% were attributable to our Jackups segment and the remaining revenues were attributable to our managed rigs. During the nine months ended September 30, 2020, 56% of the revenues earned in U.S. Gulf of Mexico were attributable to our Floaters segment, 11% were attributable to our Jackups segment and the remaining revenues were attributable to our managed rigs.

⁽³⁾ During the three and five months ended September 30, 2021, 56% and 57% of the revenues earned in Saudi Arabia were attributable to our Jackups segment respectively. During the four months ended April 30, 2021, 57% of the revenues earned in Saudi Arabia were attributable to our Jackups segment. The remaining revenues were attributable to our Other segment and relates to our rigs leased to ARO and certain revenues related to our Secondment Agreement.

During the three and nine months ended September 30, 2020, 55% and 56%, respectively, of the revenues earned in Saudi Arabia were attributable to our Jackups segment. The remaining revenues were attributable to our Other segment and relates to our rigs leased to ARO and certain revenues related to our Transition Services Agreement and Secondment Agreement.

- ⁽⁴⁾ During the three and five months ended September 30, 2021, 52% and 54% of the revenues earned in Mexico were attributable to our Jackups segment respectively and the remaining revenues were attributable to Floaters segment. During the four months ended April 30, 2021, 51% of the revenue earned in Mexico were attributable to our Jackups segment and the remaining revenues were attributable to our Floaters segment.

During the three and nine months ended September 30, 2020, 74% and 54% of the revenues earned in Mexico were attributable to our Jackups segment respectively and the remaining revenues were attributable to our Floaters segment.

- ⁽⁵⁾ During the three and five months ended September 30, 2021, 64% and 62%, respectively, of the revenues earned in Australia were attributable to our Floaters segment and the remaining were attributable to Jackups segment. During the four months ended April 30, 2021, 77% of the revenues earned in Australia were attributable to our Floaters segment, and the remaining revenues earned in Australia were attributable to our Jackups segment.

During the three and nine months ended September 30, 2020, 100% and 91%, respectively, of the revenues earned in Australia were attributable to our Floaters segment, and the remaining revenues were attributable to our Jackups segment.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes thereto included in "Item 1. Financial Statements" and with our annual report on Form 10-K for the year ended December 31, 2020. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 1A of our annual report and elsewhere in this quarterly report. See "Forward-Looking Statements."

EXECUTIVE SUMMARY

Our Business

We are a leading provider of offshore contract drilling services to the international oil and gas industry. We currently own an offshore drilling rig fleet of 57 rigs, with drilling operations in almost every major offshore market across six continents. Our rig fleet includes 11 drillships, four dynamically positioned semisubmersible rigs, one moored semisubmersible rig, 41 jackup rigs and a 50% equity interest in Saudi Aramco Rowan Offshore Drilling Company ("ARO"), our 50/50 joint venture with Saudi Aramco, which owns an additional seven rigs. We operate the world's largest fleet, including one of the newest ultra-deepwater fleets in the industry and a leading premium jackup fleet.

Chapter 11 Proceedings, Emergence from Chapter 11 and Fresh Start Accounting

On August 19, 2020 (the "Petition Date"), Valaris plc ("Legacy Valaris" or "Predecessor") and certain of its direct and indirect subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization under chapter 11 of the Bankruptcy Code in the Bankruptcy Court under the caption *In re Valaris plc, et al.*, Case No. 20-34114 (MI) (the "Chapter 11 Cases").

In connection with the Chapter 11 Cases and the plan of reorganization, on and prior to April 30, 2021 (the "Effective Date"), the Company effectuated certain restructuring transactions, pursuant to which Valaris was formed and, through a series of transactions, Legacy Valaris transferred to a subsidiary of Valaris substantially all of the subsidiaries, and other assets, of Legacy Valaris.

On the Effective Date, we successfully completed our financial restructuring and together with the Debtors emerged from the Chapter 11 Cases. Upon emergence from the Chapter 11 Cases, we eliminated \$7.1 billion of debt and obtained a \$520.0 million capital injection by issuing the First Lien Notes. See "[Note 11](#) - Debt" for additional information on the First Lien Notes. On the Effective Date, Legacy Valaris Class A ordinary shares were cancelled and common shares of Valaris with a nominal value of \$0.01 per share ("Common Shares") were issued. Also, former holders of Legacy Valaris' equity were issued warrants (the "Warrants") to purchase Common Shares. See "[Note 12](#) - Shareholders' Equity" for additional information on the issuance of the Common Shares and Warrants.

References to the financial position and results of operations of the "Successor" or "Successor Company" relate to the financial position and results of operations of the Company after the Effective Date. References to the financial position and results of operations of the "Predecessor" or "Predecessor Company" refer to the financial position and results of operations of Legacy Valaris on and prior to the Effective Date. References to the "Company," "we," "us" or "our" in this Quarterly Report are to Valaris Limited, together with its consolidated subsidiaries, when referring to periods following the Effective Date, and to Legacy Valaris, together with its consolidated subsidiaries, when referring to periods prior to and including Effective Date.

Upon emergence from the Chapter 11 Cases, we qualified for and adopted fresh start accounting. The application of fresh start accounting resulted in a new basis of accounting, and the Company became a new entity for financial reporting purposes. Accordingly, our financial statements and notes after the Effective Date are not comparable to our financial statements and notes on and prior to that date.

See “[Note 2](#) – Chapter 11 Proceedings” and “[Note 3](#) - Fresh Start Accounting” for additional details regarding the bankruptcy, our emergence and fresh start accounting.

Our Industry

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

As we entered 2020, we expected the volatility that began with the oil price decline in 2014 to continue over the near-term with the expectation that long-term oil prices would remain at levels sufficient to support a continued gradual recovery in the demand for offshore drilling services. We were focused on opportunities to put our rigs to work, manage liquidity, extend our financial runway, and reduce debt as we sought to navigate the extended market downturn and improve our balance sheet. Recognizing our ability to maintain a sufficient level of liquidity to meet our financial obligations depended upon our future performance, which is subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control, we had significant financial flexibility within our capital structure to support our liability management efforts. However, starting in early 2020, the COVID-19 pandemic and the response thereto negatively impacted the macro-economic environment and global economy. Global oil demand fell sharply at the same time global oil supply increased as a result of certain oil producers competing for market share, leading to a supply glut. As a consequence, the price of Brent crude oil fell from around \$60 per barrel at year-end 2019 to around \$20 per barrel in mid-April 2020. In response to dramatically reduced oil price expectations, our customers reviewed, and in most cases lowered significantly, their capital expenditure plans in light of revised pricing expectations. This caused our customers, primarily in the second and third quarters of 2020, to cancel or shorten the duration of many of our drilling contracts, cancel future drilling programs and seek pricing and other contract concessions which led to material operating losses and liquidity constraints for us.

In 2020, the combined effects of the global COVID-19 pandemic, the significant decline in the demand for oil and the substantial surplus in the supply of oil resulted in significantly reduced demand and day rates for offshore drilling provided by the Company and increased uncertainty regarding long-term market conditions. These events had a significant adverse impact on our current and expected liquidity position and financial runway and led to the filing of the Chapter 11 Cases.

Brent crude oil prices have improved in 2021 and surpassed \$80 per barrel in October 2021 for the first time in three years. Increased oil prices are due to, among other factors, rebounding demand for hydrocarbons, a measured approach to production increases by OPEC+ members and a focus on cash flow and returns by U.S. onshore exploration and production companies. The constructive oil price environment has led to an improvement in contracting and tendering activity in 2021 as compared to 2020. We are seeing tangible evidence of this improvement in contracting data for 2021 as compared to 2020. Benign floater rig years awarded through the third quarter of 2021 were more than double the amount awarded during the same period in 2020. This increase in activity is particularly evident for drillships with several multi-year contracts awarded year to date and a meaningful improvement in day rates for this class of assets. Jackup contracting activity is largely consistent with the prior year; however, demand for jackups did not decline as significantly in 2020 as it did for floaters. While the near-term outlook for the offshore drilling industry has seen improvement during 2021, the global recovery from the COVID-19 pandemic remains uneven, and there is still a significant amount of uncertainty around the sustainability of the improvement in oil prices to support a sustained recovery in demand for offshore drilling services.

Additionally, the full impact that the pandemic and the volatility of oil prices will have on our results of operations, financial condition, liquidity and cash flows is uncertain due to numerous factors, including the duration and severity of the pandemic, the continued development, availability and effectiveness of the ongoing vaccine rollout, the general resumption of global economic activity along with the injection of substantial government monetary and fiscal stimulus and the sustainability of the improvements in oil prices and demand in the face of market volatility. To date, the COVID-19 pandemic has resulted in limited operational downtime. Our rigs have had to shut down operations while crews are tested and incremental sanitation protocols are implemented and while crew changes have been restricted as replacement crews are quarantined. We continue to incur additional personnel, housing and logistics costs in order to mitigate the potential impacts of COVID-19 to our operations. In limited instances, we have been reimbursed for these costs by our customers. Our operations and business may be subject to further economic disruptions as a result of the spread of COVID-19 among our workforce, the extension or imposition of further public health measures affecting supply chain and logistics, and the impact of the pandemic on key customers, suppliers, and other counterparties. There can be no assurance that these, or other issues caused by the COVID-19 pandemic, will not materially affect our ability to operate our rigs in the future.

Backlog

Our backlog was \$2.3 billion and \$1.0 billion as of October 27, 2021 and December 31, 2020, respectively. Our backlog excludes ARO's backlog but includes backlog of \$18.7 million and \$74.7 million, respectively, from our rigs leased to ARO at the contractual rates. Contract rates with ARO are subject to adjustment resulting from the shareholder agreement. See "[Note 5](#) - Equity Method Investment in ARO" for additional information. The increase to backlog is due to recent contract awards and contract extensions, partially offset by revenues realized. As revenues are realized and if we experience customer contract cancellations, we may experience declines in backlog, which would result in a decline in revenues and operating cash flows.

ARO backlog was \$846.1 million and \$347.5 million as of October 27, 2021 and December 31, 2020, respectively, inclusive of backlog on both ARO owned rigs and rigs leased from us. The increase in backlog is due to contracts awarded to five ARO owned rigs during the first quarter. As an unconsolidated 50/50 joint venture, when ARO realizes revenue from its backlog, 50% of the earnings thereon would be reflected in our results in the equity in earnings of ARO in our Condensed Consolidated Statement of Operations. The earnings from ARO backlog with respect to rigs leased from us will be net of, among other things, payments to us under bareboat charters for those rigs.

BUSINESS ENVIRONMENT

Floaters

Limited demand and excess supply continue to affect our floater fleet. Floater demand declined materially in March and April 2020, as our customers reduced capital expenditures particularly for capital-intensive, long-lead deepwater projects in the wake of oil price declines from around \$60 per barrel at year-end 2019 to around \$20 per barrel in mid-April 2020. This caused our customers, primarily in the second and third quarters of 2020, to cancel or delay drilling programs, to terminate drilling contracts and to request contract concessions. As discussed above, the constructive oil price environment has led to an improvement in contracting and tendering activity in 2021 as compared to 2020. However, the global recovery from the COVID-19 pandemic remains uneven, and there is still a significant amount of uncertainty around the sustainability of the improvement in oil prices to support a sustained recovery in demand for offshore drilling services.

Our backlog for our floater segment was \$1.6 billion and \$163.7 million as of October 27, 2021 and December 31, 2020, respectively. The increase in our backlog was due to the addition of backlog from new contract awards and contract extensions, partially offset by revenues realized.

Utilization for our floaters was 28% during the third quarter of 2021 compared to 22% in the second quarter of 2021. Average day rates were approximately \$190,000 during the third quarter of 2021 compared to approximately \$197,000 in the second quarter of 2021. The decrease in average day rate is the result of certain rigs operating under short-term contracts at a lower day rate during the third quarter.

There are approximately 21 newbuild drillships and benign environment semisubmersible rigs reported to be under construction, of which five are scheduled to be delivered before the end of 2021. Most newbuild floaters are uncontracted. Several newbuild deliveries have been delayed into future years, and we expect that more uncontracted newbuilds will be delayed or cancelled.

Drilling contractors have retired approximately 131 benign environment floaters since the beginning of 2014. Seven benign environment floaters older than 20 years of age are currently idle, 13 additional benign environment floaters older than 20 years have contracts that will expire within six months without follow-on work, and there are a further 13 benign environment floaters that have been stacked for more than three years. Operating costs associated with keeping these rigs idle as well as expenditures required to re-certify some of these aging rigs may prove cost prohibitive. Drilling contractors will likely elect to scrap or cold-stack some or all of these rigs. Improvements in demand and/or reductions in supply will be necessary before meaningful and sustained increases in utilization and day rates are realized.

Jackups

During 2020, demand for jackups declined in light of increased market uncertainty. This caused our customers, primarily in the second and third quarters of 2020, to cancel or delay drilling programs, to terminate drilling contracts and to request contract concessions. We have observed a slight increase in customer tendering activity for jackups that commenced in the latter part of 2020. However, the global recovery from the COVID-19 pandemic remains uneven, and there is still a significant amount of uncertainty around the sustainability of the improvement in oil prices to support a sustained recovery in demand for offshore drilling services.

Our backlog for our jackup segment was \$667.6 million and \$737.6 million as of October 27, 2021 and December 31, 2020, respectively. The decrease in our backlog was due to revenues realized partially offset by the addition of backlog from new contract awards and contract extensions.

Utilization for our jackups was 57% during the third quarter compared to 54% in the second quarter of 2021. Average day rates were approximately \$96,000 during the third quarter compared to approximately \$99,000 in the second quarter of 2021.

There are approximately 33 newbuild jackup rigs reported to be under construction, of which eight are scheduled to be delivered before the end of 2021. Most newbuild jackups are uncontracted. Over the past year, some jackup orders have been cancelled, and many newbuild jackups have been delayed. We expect that scheduled jackup deliveries will continue to be delayed until more rigs are contracted.

Drilling contractors have retired approximately 157 jackups since the beginning of the downturn. Approximately 69 jackups older than 30 years are idle, 37 jackups that are 30 years or older have contracts expiring within the next six months without follow-on work, and there are a further 15 jackups that have been stacked for more than three years. Expenditures required to re-certify some of these aging rigs may prove cost prohibitive and drilling contractors may instead elect to scrap or cold-stack these rigs. We expect jackup scrapping and cold-stacking to continue for the remainder of 2021 and into 2022. Improvements in demand and/or reductions in supply will be necessary before meaningful and sustained increases in utilization and day rates are realized.

Divestitures

Our business strategy has been to focus on ultra-deepwater floater and premium jackup operations and de-emphasize other assets and operations that are not part of our long-term strategic plan or that no longer meet our standards for economic returns. During the second quarter of 2021, we sold VALARIS 101 for approximately \$26 million resulting in a pre-tax gain of approximately \$5 million. In the second quarter of 2021, we began marketing VALARIS 100 and classified the rig as held-for-sale on our June 30, 2021 condensed consolidated balance sheet. We subsequently sold the rig in August 2021 resulting in an insignificant pre-tax gain.

In the third quarter of 2021, we began marketing VALARIS 142 and VALARIS 22 and classified the rigs as held-for-sale on our September 30, 2021 condensed consolidated balance sheet. In October 2021, we sold both rigs resulting in a combined pre-tax gain of approximately \$17 million that will be recognized in the fourth quarter of 2021.

We continue to focus on our fleet management strategy in light of the composition of our rig fleet. While taking into account certain restrictions on the sales of assets under our First Lien Notes, as part of our strategy, we may act opportunistically from time to time to monetize assets to enhance stakeholder value and improve our liquidity profile, in addition to reducing holding costs by selling or disposing of older, lower-specification or non-core rigs.

RESULTS OF OPERATIONS

In analyzing our results of operations, we are not able to compare the results of operations for the four-month period ended April 30, 2021 (the “2021 Predecessor Period”) to any of the previous periods reported in the condensed consolidated financial statements, and we do not believe reviewing this period in isolation would be useful in identifying any trends in or reaching any conclusions regarding our overall operating performance. We believe that the discussion of our results of operations for the five months ended September 30, 2021 (the “Successor Period”) combined with the 2021 Predecessor Period provides a more meaningful comparison to the nine months ended September 30, 2020 and is more useful in understanding operational trends. These combined results do not comply with GAAP and have not been prepared as pro forma results under applicable SEC rules, but are presented because we believe they provide the most meaningful comparison of our results to prior periods.

The following table summarizes our Condensed Consolidated Results of Operations (in millions):

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Revenues	\$ 326.7	\$ 285.3
Operating expenses		
Contract drilling (exclusive of depreciation)	274.3	307.2
Depreciation	24.4	122.4
General and administrative	27.2	72.1
Total operating expenses	325.9	501.7
Other operating income	—	118.1
Equity in earnings of ARO	2.6	3.9
Operating income (loss)	3.4	(94.4)
Other expense, net	(2.9)	(555.7)
Provision for income taxes	53.3	21.9
Net loss	(52.8)	(672.0)
Net (income) loss attributable to noncontrolling interests	(1.7)	1.1
Net loss attributable to Valaris	\$ (54.5)	\$ (670.9)

	Successor	Predecessor	Combined (Non- GAAP)	Predecessor
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenues	\$ 529.5	\$ 397.4	\$ 926.9	\$ 1,130.7
Operating expenses				
Contract drilling (exclusive of depreciation)	443.0	337.8	780.8	1,153.9
Loss on impairment	—	756.5	756.5	3,646.2
Depreciation	41.0	159.6	200.6	418.4
General and administrative	39.9	30.7	70.6	188.1
Total operating expenses	523.9	1,284.6	1,808.5	5,406.6
Other operating income	—	—	—	118.1
Equity in earnings (losses) of ARO	7.4	3.1	10.5	(7.6)
Operating income (loss)	13.0	(884.1)	(871.1)	(4,165.4)
Other expense, net	(1.5)	(3,563.5)	(3,565.0)	(769.0)
Provision (benefit) for income taxes	68.4	16.2	84.6	(145.9)
Net loss	(56.9)	(4,463.8)	(4,520.7)	(4,788.5)
Net (income) loss attributable to noncontrolling interests	(3.8)	(3.2)	(7.0)	3.9
Net loss attributable to Valaris	\$ (60.7)	\$ (4,467.0)	\$ (4,527.7)	\$ (4,784.6)

Overview

Revenues increased \$41.4 million, or 15%, for the three months ended September 30, 2021, as compared to the prior year quarter primarily due to \$48.1 million from increased days under contract across our fleet and \$12.9 million from higher average day rates on certain rigs. This increase was partially offset by \$6.8 million due to lower revenues earned under the Lease Agreements and \$3.1 million from rigs sold.

Revenues decreased \$203.8 million, or 18%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period primarily due to \$140.0 million from fewer days under contract across our fleet, \$46.3 million due to termination fees received for certain rigs in the prior year period, \$50.5 million from the sale of VALARIS 5004, VALARIS 84, VALARIS 87, VALARIS 88, VALARIS 100 and VALARIS 101 which operated in the prior year period, and \$37.2 million due to lower revenues earned under the Secondment Agreement, Lease Agreements and Transition Services Agreement with ARO. This decline was partially offset by a \$69.7 million increase in revenue for certain rigs with higher average day rates for the combined Successor and Predecessor results for the nine months ended September 30, 2021 as compared to the prior year period.

Contract drilling expense decreased \$32.9 million, or 11%, for the three months ended September 30, 2021, as compared to the prior year quarter, primarily due to \$21.8 million of lower cost on idle rigs, \$7.0 million from rigs sold between the comparative periods.

Contract drilling expense decreased \$373.1 million, or 32%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period primarily due to \$215.0 million of lower cost on idle rigs, \$59.5 million from rigs sold between the comparative periods, and reduced cost resulting primarily from spend control efforts. Additionally, there was a decline of \$22.7 million related primarily to the Secondment Agreement with ARO as almost all remaining seconded employees became employees of ARO during the second quarter of 2020.

During the combined Successor and Predecessor results for the nine months ended September 30, 2021 and the nine months ended September 30, 2020, we recorded non-cash losses on impairment totaling \$756.5 million and \$3.6 billion, respectively, with respect to certain assets in our fleet. See "[Note 7](#) - Property and Equipment" for additional information.

Depreciation expense decreased \$98.0 million, or 80%, for the three months ended September 30, 2021 as compared to the prior year quarter, primarily due to the reduction in values of property and equipment from the application of fresh start accounting.

Depreciation expense decreased \$217.8 million, or 52%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period primarily due to reduction in values of property and equipment from the application of fresh start accounting and due to lower depreciation expense on certain non-core assets which were impaired in the first and second quarters of 2020, some of which were subsequently sold in 2020.

General and administrative expenses decreased by \$44.9 million or 62%, for the three months ended September 30, 2021, as compared to the prior year quarter, primarily due to charges incurred in the prior year for professional fees in relation to the Chapter 11 Cases, but prior to the Petition Date. This decline is partially offset by executive severance cost incurred in the third quarter of 2021 in connection with the separations of certain former members of executive management.

General and administrative expenses decreased by \$117.5 million or 62%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period primarily due to charges incurred in the prior year for professional fees incurred in relation to the Chapter 11 Cases, but prior to the Petition Date, professional fees associated with shareholder activism defense, organizational change

initiatives, as well as merger integration related costs. This decline is partially offset by executive severance cost incurred in the third quarter of 2021 in connection with the separations of certain former members of executive management.

Other operating income of \$118.1 million recognized during the third quarter of 2020 was due to loss of hire insurance recoveries collected for a terminated contract.

Other expense, net, decreased \$552.8 million for the three months ended September 30, 2021 and increased \$2.8 billion for the combined Successor and Predecessor results for the nine months ended September 30, 2021, respectively, as compared to the prior year comparative periods, primarily due to reorganization costs incurred directly related to the Chapter 11 Cases. See “[Note 2](#) – Chapter 11 Proceedings” for details related to reorganization items. These changes also include a reduction in interest expense as we discontinued accruing interest on our outstanding debt after the Petition Date and our debt level has significantly declined subsequent to our emergence from bankruptcy.

Rig Counts, Utilization and Average Day Rates

The following table summarizes our and ARO's offshore drilling rigs as of September 30, 2021 and 2020:

	2021	2020
Floaters	16	16
Jackups ⁽¹⁾	33	36
Other ⁽²⁾	8	9
Held-for-sale ⁽¹⁾⁽²⁾⁽³⁾	2	3
Total Valaris	59	64
Valaris - Under construction ⁽⁴⁾	2	2
ARO ⁽⁵⁾	7	7
ARO - Under construction ⁽⁶⁾	2	2

⁽¹⁾ During the second quarter of 2021, we sold VALARIS 101. During the third quarter of 2021, we sold VALARIS 100 and VALARIS 142 was classified as held-for-sale.

⁽²⁾ This represents the eight rigs leased to ARO through bareboat charter agreements whereby substantially all operating costs are incurred by ARO. All jackup rigs leased to ARO are under three-year contracts with Saudi Aramco. During the third quarter of 2021, VALARIS 22, a rig previously leased to ARO, was classified as held-for-sale.

⁽³⁾ During the fourth quarter of 2020, we sold VALARIS 84, VALARIS 88 and VALARIS 8504.

⁽⁴⁾ We have an option to take delivery of VALARIS DS-13 and VALARIS DS-14, on or before December 31, 2023. The purchase price for the rigs are estimated to be approximately \$119.1 million and \$218.3 million, respectively, assuming a December 31, 2023 delivery date. Delivery can be requested any time prior to December 31, 2023 with a downward purchase price adjustment based on predetermined terms. If we elect not to purchase the rigs, we have no further obligations to the shipyard.

⁽⁵⁾ This represents the seven jackup rigs owned by ARO which are operating under long-term contracts with Saudi Aramco.

⁽⁶⁾ During 2020, ARO ordered two newbuild jackup rigs scheduled for delivery in 2022.

The following table summarizes our and ARO's rig utilization and average day rates by reportable segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Rig Utilization⁽¹⁾				
Floaters	28 %	11 %	27 %	25 %
Jackups	57 %	50 %	54 %	57 %
Other ⁽²⁾	100 %	94 %	100 %	98 %
Total Valaris	56 %	45 %	55 %	53 %
ARO	86 %	97 %	88 %	95 %
Average Day Rates⁽³⁾				
Floaters	\$ 189,582	\$ 190,024	\$ 194,687	\$ 188,365
Jackups	96,182	93,326	97,025	86,332
Other ⁽²⁾	30,589	36,144	30,956	38,660
Total Valaris	\$ 89,827	\$ 79,574	\$ 88,694	\$ 88,286
ARO	\$ 95,176	\$ 101,603	\$ 94,709	\$ 103,962

- ⁽¹⁾ Rig utilization is derived by dividing the number of days under contract by the number of days in the period. Days under contract equals the total number of days that rigs have earned and recognized day rate revenue, including days associated with early contract terminations, compensated downtime and mobilizations and excluding suspension periods. When revenue is deferred and amortized over a future period, for example, when we receive fees while mobilizing to commence a new contract or while being upgraded in a shipyard, the related days are excluded from days under contract. Beginning in 2021, our method for calculating rig utilization has been updated to remove the impact of suspension periods. To the extent applicable, comparative period calculations have been retroactively adjusted.

For newly-constructed or acquired rigs, the number of days in the period begins upon commencement of drilling operations for rigs with a contract or when the rig becomes available for drilling operations for rigs without a contract.

- ⁽²⁾ Includes our two management services contracts and our rigs leased to ARO under bareboat charter contracts.
- ⁽³⁾ Average day rates are derived by dividing contract drilling revenues, adjusted to exclude certain types of non-recurring reimbursable revenues, lump-sum revenues, revenues earned during suspension periods and revenues attributable to amortization of drilling contract intangibles, by the aggregate number of contract days, adjusted to exclude contract days associated with certain suspension periods, mobilizations, demobilizations and shipyard contracts. Beginning in 2021, our method for calculating average day rates has been updated to remove the impact of suspension periods. To the extent applicable, comparative period calculations have been retroactively adjusted.

Detailed explanations of our operating results, including discussions of revenues, contract drilling expense and depreciation expense by segment, are provided below.

Operating Income by Segment

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

Upon emergence, we ceased allocation of our onshore support costs included within contract drilling expenses to our operating segments for purposes of measuring segment operating income (loss) and as such, those costs are included in "Reconciling Items". We have adjusted the historical periods to conform with current period presentation. Further, general and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income (loss) and are included in "Reconciling Items." Substantially all of the expenses incurred associated with our Transition Services Agreement are included in general and administrative under "Reconciling Items" in the table set forth below.

The full operating results included below for ARO are not included within our consolidated results and thus deducted under "Reconciling Items" and replaced with our equity in earnings of ARO. See ["Note 5 - Equity Method Investment in ARO"](#) for additional information on ARO and related arrangements.

Segment information was as follows (in millions):

Three Months Ended September 30, 2021 (Successor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 104.3	\$ 186.3	\$ 117.7	\$ 36.1	\$ (117.7)	\$ 326.7
Operating expenses						
Contract drilling (exclusive of depreciation)	90.9	140.9	94.4	14.1	(66.0)	274.3
Depreciation	11.4	12.1	16.8	.9	(16.8)	24.4
General and administrative	—	—	5.4	—	21.8	27.2
Equity in earnings of ARO	—	—	—	—	2.6	2.6
Operating income (loss)	\$ 2.0	\$ 33.3	\$ 1.1	\$ 21.1	\$ (54.1)	\$ 3.4

Three Months Ended September 30, 2020 (Predecessor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 57.1	\$ 186.8	\$ 145.6	\$ 41.4	\$ (145.6)	\$ 285.
Operating expenses						
Contract drilling (exclusive of depreciation)	112.1	140.7	99.0	16.4	(61.0)	307.
Depreciation	55.8	52.9	14.8	11.3	(12.4)	122.
General and administrative	—	—	5.8	—	66.3	72.
Other operating income	118.1	—	—	—	—	118.
Equity in earnings of ARO	—	—	—	—	3.9	3.
Operating income (loss)	\$ 7.3	\$ (6.8)	\$ 26.0	\$ 13.7	\$ (134.6)	\$ (94.

Five Months Ended September 30, 2021 (Successor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 154.0	\$ 314.8	\$ 201.7	\$ 60.7	\$ (201.7)	\$ 529.5
Operating expenses						
Contract drilling (exclusive of depreciation)	136.1	236.4	157.3	23.3	(110.1)	443.0
Depreciation	19.3	19.9	26.5	1.7	(26.4)	41.0
General and administrative	—	—	8.5	—	31.4	39.9
Equity in earnings of ARO	—	—	—	—	7.4	7.4
Operating income (loss)	\$ (1.4)	\$ 58.5	\$ 9.4	\$ 35.7	\$ (89.2)	\$ 13.0

Four Months Ended April 30, 2021 (Predecessor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 115.7	\$ 232.4	\$ 163.5	\$ 49.3	\$ (163.5)	\$ 397.4
Operating expenses						
Contract drilling (exclusive of depreciation)	106.0	169.3	116.1	19.8	(73.4)	337.8
Loss on impairment	756.5	—	—	—	—	756.5
Depreciation	72.1	69.7	21.0	14.8	(18.0)	159.6
General and administrative	—	—	4.2	—	26.5	30.7
Equity in earnings of ARO	—	—	—	—	3.1	3.1
Operating income (loss)	\$ (818.9)	\$ (6.6)	\$ 22.2	\$ 14.7	\$ (95.5)	\$ (884.1)

Nine Months Ended September 30, 2020 (Predecessor)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 400.3	\$ 585.9	\$ 431.9	\$ 144.5	\$ (431.9)	\$ 1,130.7
Operating expenses						
Contract drilling (exclusive of depreciation)	451.4	510.8	319.8	65.8	(193.9)	1,153.9
Loss on impairment	3,386.2	254.3	—	5.7	—	3,646.2
Depreciation	207.2	164.2	41.1	33.6	(27.7)	418.4
General and administrative	—	—	21.2	—	166.9	188.1
Other operating income	118.1	—	—	—	—	118.1
Equity in losses of ARO	—	—	—	—	(7.6)	(7.6)
Operating income (loss)	\$ (3,526.4)	\$ (343.4)	\$ 49.8	\$ 39.4	\$ (384.8)	\$ (4,165.4)

Combined Nine Months Ended September 30, 2021 (Non-GAAP)

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 269.7	\$ 547.2	\$ 365.2	\$ 110.0	\$ (365.2)	\$ 926.9
Operating expenses						
Contract drilling (exclusive of depreciation)	242.1	405.7	273.4	43.1	(183.5)	780.8
Loss on impairment	756.5	—	—	—	—	756.5
Depreciation	91.4	89.6	47.5	16.5	(44.4)	200.6
General and administrative	—	—	12.7	—	57.9	70.6
Equity in losses of ARO	—	—	—	—	10.5	10.5
Operating income (loss)	\$ (820.3)	\$ 51.9	\$ 31.6	\$ 50.4	\$ (184.7)	\$ (871.1)

Floaters

Floater revenue increased \$47.2 million, or 83%, for the three months ended September 30, 2021, as compared to the prior year quarter primarily due to \$43.4 million as a result of more days under contract across the floater fleet and \$5.2 million from higher average day rates on certain rigs as compared to the prior year period.

Floater revenue decreased \$130.6 million, or 33%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period primarily due to \$103.1 million from fewer days under contract across the floater fleet, \$46.3 million due to termination fees received for certain rigs in the prior year period, and \$13.5 million from the sale of VALARIS 5004, which operated in the prior year period. This decline was partially offset by a \$33.6 million increase to revenue from higher average day rates on certain rigs for the combined Successor and Predecessor results for the nine months ended September 30, 2021 as compared to the prior year period.

Floater contract drilling expense decreased \$21.2 million, or 19%, for the three months ended September 30, 2021, as compared to the prior year quarter, primarily due to \$19.1 million lower cost on idle rigs.

Floater contract drilling expense decreased \$209.3 million, or 46%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period primarily due to \$152.9 million as a result of fewer days under contract across the floater fleet, \$23.1 million to the sale of VALARIS 5004, VALARIS 5006, VALARIS 8500, VALARIS 8501, VALARIS 8502, VALARIS 8504, VALARIS DS-3, VALARIS DS-5, and VALARIS DS-6 as well as reduced costs resulting primarily from spend control efforts.

During the four months ended April 30, 2021 and nine months ended September 30, 2020, the Predecessor recorded non-cash losses on impairment totaling \$756.5 million and \$3.4 billion, respectively, with respect to certain assets in our Floater segment. See "[Note 7](#) - Property and Equipment" for additional information.

Floater depreciation expense decreased 44.4 million, or 80%, for the three months ended September 30, 2021, as compared to the prior year quarter, primarily due to the reduction in values of property and equipment from the application of fresh start accounting.

Floater depreciation expense decreased \$115.8 million, or 56%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period, primarily due to the reduction in values of property and equipment from the application of fresh start accounting and due to lower depreciation expense on certain non-core assets which were impaired in the first and second quarters of 2020, some of which were subsequently sold in 2020.

Other operating income of \$118.1 million recognized by the Predecessor during the third quarter of 2020 was due to loss of hire insurance recoveries collected for a terminated contract.

Jackups

Jackup revenues for the three months ended September 30, 2021 are in line with the prior year quarter.

Jackup revenues decreased \$38.7 million, or 7%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period, primarily due to declines of \$36.9 million from fewer days under contract across the jackup fleet and \$37.0 million due to the sale of VALARIS 84, VALARIS 87, VALARIS 88, VALARIS 100 and VALARIS 101. This decline was partially offset by \$35.7 million due to higher average day rates for certain rigs in the combined Successor and Predecessor results for the nine months ended September 30, 2021.

Jackup contract drilling expense for the three months ended September 30, 2021 are in line with the prior year quarter. The decline in contract drilling expense in the three months ended September 30, 2021 of \$7.0 million resulting from the sale of VALARIS 68, VALARIS 70, VALARIS 71, VALARIS 84, VALARIS 87, VALARIS 88, VALARIS 100, VALARIS 101 and VALARIS 105, as well as \$5.7 million lower mobilization costs and \$2.7 million of lower cost on idle rigs was offset by \$14.4 million in reactivation cost for certain rigs stacked in the prior year.

Jackup contract drilling expense decreased \$105.1 million, or 21%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period, primarily due to \$62.1 million of lower cost on idle rigs, \$36.4 million due to the sale of VALARIS 68, VALARIS 70, VALARIS 71, VALARIS 84, VALARIS 87, VALARIS 88, VALARIS 100, VALARIS 101 and VALARIS 105, and reduced costs resulting largely from spend control efforts. This decrease was partially offset by \$30.9 million in reactivation cost for certain rigs stacked in the prior year.

During the nine months ended September 30, 2020, we recorded a non-cash loss on impairment of \$254.3 million, with respect to certain assets in our Jackup segment. See "[Note 7](#) - Property and Equipment" for additional information.

Jackup depreciation expense decreased \$40.8 million, or 77%, for the three months ended September 30, 2021 as compared to the prior year quarter, primarily due to the reduction in values of property and equipment from the application of fresh start accounting.

Jackup depreciation expense decreased \$74.6 million, or 45%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021 as compared to the prior year period primarily due to the reduction in values of property and equipment from the application of fresh start accounting.

ARO

The operating revenues of ARO reflect revenues earned under drilling contracts with Saudi Aramco for the seven ARO-owned jackup rigs and the rigs leased from us.

Contract drilling expenses are inclusive of the bareboat charter fees for the rigs leased from us. Cost incurred under the Secondment Agreement are included in contract drilling expense and general and administrative, depending on the function to which the seconded employees' services related. General and administrative expenses include costs incurred under the Transition Services Agreement and other administrative costs. Services under the Transition Services Agreement were completed by December 31, 2020.

ARO revenue decreased \$27.9 million or 19%, and \$66.7 million or 15%, for three and nine months ended September 30, 2021, respectively, as compared to the prior year periods primarily due to lower day rates, as well as fewer operating days related to certain rigs for which operations were temporarily suspended or which were undergoing maintenance. Additionally, one rig leased to ARO completed its contract in August 2021.

ARO contract drilling expense decreased \$4.6 million or 5%, and \$46.4 million or 15%, for three and nine months ended September 30, 2021, respectively, as compared to the prior year periods. The decrease for the three months ended September 30, 2021 as compared to the prior year quarterly period, is primarily due to a reduction in bareboat charter expense for the rigs leased from us. The decrease for the nine months ended September 30, 2021, as compared to the prior year period, is primarily due to lower costs for repairs and maintenance of \$23.1 million and a reduction in bareboat charter expense for the rigs leased from us.

ARO depreciation expense increased \$2.0 million or 14%, and \$6.4 million or 16% for three and nine months ended September 30, 2021, respectively, as compared to the prior year period primarily due to capital expenditures.

ARO general and administrative expenses of \$5.4 million, for the three months ended September 30, 2021, were in line with the prior year quarter. ARO general and administrative expenses decreased \$8.5 million or 40%, for the nine months ended September 30, 2021, as compared to the prior year period, primarily due to a reduction in services received under the Transition Services Agreement which was completed as of December 31, 2020.

See "[Note 5](#) - Equity Method Investment in ARO" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on ARO.

Other

Other revenues decreased \$5.3 million, or 13%, for the three months ended September 30, 2021, as compared to the prior year quarter, primarily due to \$6.8 million of lower revenues earned under the Lease Agreements with ARO. See "[Note 5](#) - Equity Method Investment in ARO" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information.

Other revenues decreased \$34.5 million, or 24%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period, primarily due to \$21.0 million and \$16.2 million of lower revenues earned under the Secondment/Transition Services Agreements and Lease Agreements with ARO, respectively. See "Note 5 - Equity Method Investment in ARO" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information.

Other contract drilling expenses for the three months ended September 30, 2021 decreased \$2.3 million, or 14%, as compared to the prior year quarter primarily due to expenses related to our agreements with ARO. Other contract drilling expenses decreased \$22.7 million, or 34%, for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the prior year period, primarily due to a decrease in cost for services provided to ARO under the Secondment Agreement as almost all remaining employees seconded to ARO became employees of ARO during the second quarter of 2020.

Other Income (Expense)

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

	Successor	Predecessor
	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Interest income	\$ 9.7	\$ 4.7
Interest expense, net:		
Interest expense	(11.3)	(59.9)
Capitalized interest	—	.1
	(11.3)	(59.8)
Reorganization items, net	(6.5)	(497.5)
Other, net	5.2	(3.1)
	\$ (2.9)	\$ (555.7)

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Interest income	\$ 17.5	\$ 3.6	\$ 21.1	\$ 15.2
Interest expense, net:				
Interest expense	(19.3)	(2.4)	(21.7)	(290.6)
Capitalized interest	—	—	—	1.4
	(19.3)	(2.4)	(21.7)	(289.2)
Reorganization items, net	(10.6)	(3,584.6)	(3,595.2)	(497.5)
Other, net	10.9	19.9	30.8	2.5
	\$ (1.5)	\$ (3,563.5)	\$ (3,565.0)	\$ (769.0)

Interest income increased for the three months ended September 30, 2021 and for the combined Successor and Predecessor results for the nine months ended September 30, 2021, as compared to the respective prior year periods primarily due to amortization of the discount on our note receivable from ARO recorded in fresh start accounting. This increase was partially offset by lower LIBOR rates earned on that note.

Interest expense decreased by \$48.6 million for the three months ended September 30, 2021 and \$268.9 million for the combined Successor and Predecessor nine months ended September 30, 2021, respectively, as compared to the prior year periods as we did not accrue interest on our outstanding debt or amortize discounts, premiums and debt issuance costs subsequent to the chapter 11 filing. Further, our interest costs are lower as a result of our lower debt level following emergence from chapter 11.

Reorganization items, net of \$6.5 million for the three months ended September 30, 2021 and \$3.6 billion for the combined Successor and Predecessor nine months ended September 30, 2021, were recognized related to legal and other professional advisory service fees pertaining to the Chapter 11 Cases, contract items related to rejecting certain operating leases and the effects of the emergence from bankruptcy; including the application of fresh start accounting. Reorganization items, net of \$497.5 million recognized during the three and nine months ended September 30, 2020 were related to other net losses and expenses directly related to our Chapter 11 Cases, primarily consisting of the write off of unamortized debt discounts, premiums and issuance costs, financing costs and professional fees. See "[Note 2](#) - Chapter 11 Proceedings" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information.

Other, net, for the nine months ended September 30, 2020 included a \$6.3 million reduction to gain on bargain purchase as a result of measurement adjustments made in the first quarter 2020 related to the Rowan Transaction partially offset by a \$3.1 million pre-tax gain on extinguishment of debt related to an open market transaction in Q1 2020.

Our functional currency is the U.S. dollar, and a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. Net foreign currency exchange gains of \$1.7 million for the three months ended September 30, 2021 and gains of \$18.2 million for the combined Successor and Predecessor nine months ended September 30, 2021, were included in other, net. During the three months ended September 30, 2021, the net foreign currency exchange gains were primarily attributable to the Euro partially offset by losses in the Brazilian reals. During the combined Successor and Predecessor nine months ended September 30, 2021, the net foreign currency exchange gains were primarily attributable to the Libyan dinar and Euro.

Net foreign currency exchange losses of \$7.5 million and \$4.9 million, were included in other net, for three and nine months ended September 30, 2020 (Predecessor), respectively. During the three months ended September 30, 2020 (Predecessor), the net foreign currency exchange losses were primarily attributable to the Euro and during the nine months ended September 30, 2020 (Predecessor), the net foreign currency exchange losses were primarily attributable to the Euro, Australian dollar and Angolan kwanza.

Provision for Income Taxes

Valaris Limited, the Successor Company and our parent company, is domiciled and resident in Bermuda. Our subsidiaries conduct operations and earn income in numerous countries and are subject to the laws of taxing jurisdictions within those countries. The income of our non-Bermuda subsidiaries is not subject to Bermuda taxation as there is not an income tax regime in Bermuda. Valaris plc, the Predecessor Company and our former parent company, was domiciled and resident in the U.K. The income of our non-U.K. subsidiaries was generally not subject to U.K. taxation.

Income tax rates and taxation systems in the jurisdictions in which our subsidiaries conduct operations vary and our subsidiaries are frequently subjected to minimum taxation regimes. In some jurisdictions, tax liabilities are

based on gross revenues, statutory deemed profits or other factors, rather than on net income and our subsidiaries are frequently unable to realize tax benefits when they operate at a loss. Accordingly, during periods of declining profitability, our income tax expense may not decline proportionally with income, which could result in higher effective income tax rates. Furthermore, we will continue to incur income tax expense in periods in which we operate at a loss.

Our drilling rigs frequently move from one taxing jurisdiction to another to perform contract drilling services. In some instances, the movement of drilling rigs among taxing jurisdictions will involve the transfer of ownership of the drilling rigs among our subsidiaries. As a result of frequent changes in the taxing jurisdictions in which our drilling rigs are operated and/or owned, changes in profitability levels and changes in tax laws, our annual effective income tax rate may vary substantially from one reporting period to another.

Discrete income tax expense for the three months ended September 30, 2021 (Successor) was \$39.2 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years. Discrete income tax expense for the five months ended September 30, 2021 (Successor) was \$44.8 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and resolution of other prior period tax matters. Discrete income tax expense for the four months ended April 30, 2021 (Predecessor) was \$2.2 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and resolution of other prior period tax matters offset by a discrete tax benefit related to fresh start accounting adjustments. Excluding the aforementioned discrete tax items, income tax expense for the three and five months ended September 30, 2021 (Successor) and four months ended April 30, 2021 (Predecessor) was \$14.1 million, \$23.6 million and \$14.0 million, respectively.

Discrete income tax expense for the three months ended September 30, 2020 (Predecessor) was \$13.8 million and was primarily attributable to changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years, rig sales and reorganization items. Discrete income tax benefit for the nine months ended September 30, 2020 (Predecessor) was \$197.9 million and was primarily attributable to a restructuring transaction, rig impairments, implementation of the U.S. Cares Act, changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years, rig sales, reorganization items and the resolution of other prior period tax matters. Excluding the aforementioned discrete tax items, income tax expense for the three and nine months ended September 30, 2020 (Predecessor) was \$8.1 million and \$52.0 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

First Lien Notes

The First Lien Notes were issued pursuant to the Indenture dated April 30, 2021 (the "First Lien Notes Indenture"), among Valaris Limited, certain direct and indirect subsidiaries of Valaris Limited as guarantors, and Wilmington Savings Fund Society, FSB, as collateral agent and trustee (in such capacities, the "Collateral Agent").

On the Effective Date, in accordance with the plan of reorganization and Backstop Commitment Agreement, dated August 18, 2020 (as amended, the "BCA"), the Company consummated the rights offering of senior secured first lien notes ("First Lien Notes") and associated shares in an aggregate principal amount of \$550 million. In accordance with the BCA, certain holders of senior notes claims and certain holders of claims under the Revolving Credit Facility ("Backstop Parties") who provided backstop commitments received the backstop premium.

The First Lien Notes are guaranteed, jointly and severally, on a senior basis, by certain of the direct and indirect subsidiaries of the Company under the First Lien Notes Indenture. The First Lien Notes and such guarantees are secured by first-priority perfected liens on 100% of the equity interests of each Restricted Subsidiary directly owned by the Company or any guarantor and a first-priority perfected lien on substantially all assets of the

Company and each guarantor of the First Lien Notes, in each case subject to certain exceptions and limitations. The following is a brief description of the material provisions of the First Lien Notes Indenture and the First Lien Notes.

The First Lien Notes are scheduled to mature on April 30, 2028. Interest on the First Lien Notes accrues, at our option, at a rate of: (i) 8.25% per annum, payable in cash; (ii) 10.25% per annum, with 50% of such interest to be payable in cash and 50% of such interest to be paid in kind; or (iii) 12% per annum, with the entirety of such interest to be paid in kind. The Company shall pay interest semi-annually in arrears on May 1 and November 1 of each year, commencing November 1, 2021. Interest on the First Lien Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from April 30, 2021. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

At any time prior to April 30, 2023, the Company may redeem up to 35% of the aggregate principal amount of the First Lien Notes at a redemption price of 104% up to the net cash proceeds received by the Company from equity offerings provided that at least 65% of the aggregate principal amount of the First Lien Notes remains outstanding and provided that the redemption occurs within 120 days after such equity offering of the Company. At any time prior to April 30, 2023 the Company may redeem the First Lien Notes at a redemption price of 104% plus a “make-whole” premium. On or after April 30, 2023, the Company may redeem all or part of the First Lien Notes at fixed redemption prices (expressed as percentages of the principal amount), plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The Company may also redeem the First Lien Notes, in whole or in part, at any time and from time to time on or after April 30, 2026 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. Notwithstanding the foregoing, if a Change of Control (as defined in the First Lien Notes Indenture, with certain exclusions as provided therein) occurs, the Company will be required to make an offer to repurchase all or any part of each note holder’s notes at a purchase price equal to 101% of the aggregate principal amount of First Lien Notes repurchased, plus accrued and unpaid interest to, but excluding, the applicable date.

The First Lien Notes Indenture contains covenants that limit, among other things, our ability and the ability of the guarantors and other restricted subsidiaries, to: (i) incur, assume or guarantee additional indebtedness; (ii) pay dividends or distributions on Equity Interests (as defined in the First Lien Notes Indenture) or redeem or repurchase Equity Interests; (iii) make investments; (iv) repay or redeem junior debt; (v) transfer or sell assets; (vi) enter into sale and lease back transactions; (vii) create, incur or assume liens; and (viii) enter into transactions with certain affiliates. These covenants are subject to a number of important limitations and exceptions.

The First Lien Notes Indenture also provides for certain customary events of default, including, among other things, nonpayment of principal or interest, breach of covenants, failure to pay final judgments in excess of a specified threshold, failure of a guarantee to remain in effect, failure of a collateral document to create an effective security interest in collateral, with a fair market value in excess of a specified threshold, bankruptcy and insolvency events, cross payment default and cross acceleration, which could permit the principal, premium, if any, interest and other monetary obligations on all the then outstanding First Lien Notes to be declared due and payable immediately.

Liquidity

We expect to fund our liquidity needs, including contractual obligations and anticipated capital expenditures, as well as working capital requirements, from cash and cash equivalents. We may rely on the issuance of debt and/or equity securities in the future to supplement our liquidity needs.

Our liquidity position is summarized in the table below (in millions, except ratios):

	Successor		Predecessor	
	September 30, 2021		December 31, 2020	
Cash and cash equivalents	\$	620.8	\$	325.8
Available DIP Facility capacity ⁽¹⁾		—		500.0
Total liquidity	\$	620.8	\$	825.8
Working capital	\$	800.7	\$	746.1
Current ratio ⁽²⁾		2.9		2.7

⁽¹⁾ The DIP Facility was terminated upon our emergence from the Chapter 11 Cases on the Effective Date.

⁽²⁾ As a result of our chapter 11 filing, we reclassified \$7.3 billion representing the principal balance on our unsecured senior notes, the amount of outstanding borrowings on our Revolving Credit Facility, the accrued interest on our unsecured senior notes and Revolving Credit Facility, and rig holding costs for VALARIS DS-13 and VALARIS DS-14 to “Liabilities Subject to Compromise” as of December 31, 2020.

Cash and Debt

As discussed in "Note 2 - Chapter 11 Proceedings" and above, we filed the Chapter 11 Cases to effect a comprehensive restructuring of our indebtedness. As of September 30, 2021, our only outstanding long-term debt consisted of the First Lien Notes.

Cash Flow and Capital Expenditures

Our cash flow from operating activities and capital expenditures were as follows (in millions):

	Successor	Predecessor	Predecessor
	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
Net cash used in operating activities	\$ (19.0)	\$ (39.8)	\$ (396.4)
Capital expenditures	23.7	8.7	82.9

During the four months ended April 30, 2021, our primary sources of cash were \$520.0 million from the issuance of the First Lien Notes and proceeds of \$30.1 million for the disposition of assets. Our primary uses of cash for the same period were \$39.8 million used in operating activities and \$8.7 million for the enhancement and other improvements of our drilling rigs.

During the nine months ended September 30, 2020, our primary source of cash was \$581.0 million in net borrowings under our Revolving Credit Facility. Our primary uses of cash for the same period were \$396.4 million used in operating activities, \$82.9 million for the construction, enhancement and other improvements of our drilling rigs.

Net cash used in operating activities was \$19.0 million and \$39.8 million during the five months ended September 30, 2021 and four months ended April 30, 2021, respectively. The cash outflow for the Successor primarily relates to reorganization costs while the cash outflow for the Predecessor primarily relates to declining margins and reorganization costs.

Prior to our chapter 11 filing, we had contractual commitments for the construction of VALARIS DS-13 and VALARIS DS-14. On February 26, 2021, we entered into amended agreements with the Shipyard that became effective upon our emergence from bankruptcy. The amendments provide for, among other things, an option construct whereby the Company has the right, but not the obligation, to take delivery of either or both rigs on or before December 31, 2023. Under the amended agreements, the purchase price for the rigs are estimated to be approximately \$119.1 million for the VALARIS DS-13 and \$218.3 million for the VALARIS DS-14, assuming a December 31, 2023 delivery date. Delivery can be requested any time prior to December 31, 2023 with a downward purchase price adjustment based on predetermined terms. If the Company elects not to purchase the rigs, the Company has no further obligations to the shipyard. The amended agreements removed any Company guarantee.

We continue to take a disciplined approach to reactivations with our stacked rigs only returning them to the active fleet when there is visibility into work at attractive economics. In most cases, we expect the initial contract to pay for the reactivation costs and that the rig would have solid prospects for longer-term work. Most of this reactivation cost will be operating expenses, recognized in the income statement, related to de-preservation activities, including reinstalling key pieces of equipment and crewing up the rigs. Capital expenditures during reactivations include rig modifications, equipment overhauls and any customer required capital upgrades. We would generally expect to be compensated for these customer-specific enhancements.

We expect capital expenditures in 2021 to be approximately \$62 to \$67 million of which \$32.4 million was incurred through the first three quarters of 2021, primarily for rig enhancement, reactivation and upgrade projects as well as minor upgrades and improvements. In 2022, we expect capital expenditures to increase primarily due to rig enhancement, reactivation and upgrade projects. We expect that customers will reimburse us for a significant portion of the 2022 expenditures. Depending on market conditions and future opportunities, we may make additional capital expenditures to upgrade rigs for customer requirements and construct or acquire additional rigs.

As we begin to reactivate rigs, we expect future spending levels to increase beyond the levels we incurred in 2020 and 2021, with more spending associated with reactivation of our floater fleet relative to our jackup fleet and for rigs that have been preservation stacked for longer periods of time.

Financing and Capital Resources

Successor First Lien Notes

On the Effective Date, pursuant to the Backstop Commitment Agreement and in accordance with the plan of reorganization, the Company consummated the Rights Offering of First Lien Notes and associated shares in an aggregate principal amount of \$550.0 million. The First Lien Notes are scheduled to mature on April 30, 2028. Interest on the First Lien Notes accrues, at our option, at a rate of: (i) 8.25% per annum, payable in cash; (ii) 10.25% per annum, with 50% of such interest to be payable in cash and 50% of such interest to be paid in kind; or (iii) 12% per annum, with the entirety of such interest to be paid in kind.

Predecessor Senior Notes

The commencement of the Chapter 11 Cases resulted in an event of default under each series of our senior notes and all obligations thereunder were accelerated. However, any efforts to enforce payment obligations related to the acceleration of our debt were automatically stayed as a result of the filing of the Chapter 11 Cases. Accordingly, the \$6.5 billion in aggregate principal amount outstanding under the Senior Notes as well as \$201.9 million in associated accrued interest as of the Petition Date were classified as Liabilities Subject to Compromise in our Condensed Consolidated Balance Sheets as of December 31, 2020. On the Effective Date, pursuant to the plan of reorganization, each series of our senior notes were cancelled and the holders thereunder received the treatment as set forth in the plan of reorganization.

In December 2016, Ensco Jersey Finance Limited, a wholly-owned subsidiary of Valaris plc, issued \$849.5 million aggregate principal amount of the 2024 Convertible Notes in a private offering. The 2024 Convertible Notes were fully and unconditionally guaranteed, on a senior, unsecured basis, by Valaris plc. Under the terms of our debt agreement, we had the option to settle our 2024 Convertible Notes in cash, shares or a combination thereof for the aggregate amount due upon conversion. However, the commencement of the Chapter 11 Cases on August 19, 2020, constituted an event of default under the 2024 Convertible Notes. Any efforts to enforce payment obligations under the 2024 Convertible Notes, including any rights to require the repurchase by the Company of the 2024 Convertible Notes upon the NYSE delisting of the Class A ordinary shares, were automatically stayed as a result of the filing of the Chapter 11 Cases. Accordingly, the aggregate principal amount of 2024 Convertible Notes outstanding as well as associated accrued interest as of the Petition Date were classified as Liabilities Subject to Compromise in our Condensed Consolidated Balance Sheets as of December 31, 2020. On the Effective Date, pursuant to the plan of reorganization, all outstanding obligations under the senior notes, including the 2024 Convertible Notes, were cancelled and the holders thereunder received the treatment as set forth in the plan of reorganization.

Predecessor Revolving Credit Facility

The commencement of the Chapter 11 Cases resulted in an event of default under our Revolving Credit Facility. However, the ability of the lenders to exercise remedies in respect of the Revolving Credit Facility was stayed upon commencement of the Chapter 11 Cases. Accordingly, the \$581.0 million of outstanding borrowing as well as accrued interest as of the Petition Date were classified as Liabilities Subject to Compromise in our Condensed Consolidated Balance Sheets as of December 31, 2020. On the Effective Date, pursuant to the plan of reorganization, the Revolving Credit Facility was cancelled and the holders thereunder received the treatment as set forth in the plan of reorganization.

Prior to the Effective Date, pursuant to the plan of reorganization, all undrawn letters of credit issued under the Revolving Credit Facility were collateralized pursuant to the terms of the Revolving Credit Facility. As of September 30, 2021, we had \$19.5 million of collateralized letters of credit issued by lenders of the Revolving Credit Facility.

Investment in ARO and Notes Receivable from ARO

We consider our investment in ARO to be a significant component of our investment portfolio and an integral part of our long-term capital resources. We expect to receive cash from ARO in the future both from the maturity of our long-term notes receivable and from the distribution of earnings from ARO. The long-term notes receivable, which are governed by the laws of Saudi Arabia, earn interest at LIBOR plus two percent and mature during 2027 and 2028. In the event that ARO is unable to repay these notes when they become due, we would require the prior consent of our joint venture partner to enforce ARO's payment obligations. The notes receivable may be reduced by future Company obligations to the joint venture.

The distribution of earnings to the joint-venture partners is at the discretion of the ARO Board of Managers, consisting of 50/50 membership of managers appointed by Saudi Aramco and managers appointed by us, with approval required by both shareholders. The timing and amount of any cash distributions to the joint-venture partners cannot be predicted with certainty and will be influenced by various factors, including the liquidity position

and long-term capital requirements of ARO. ARO has not made a cash distribution of earnings to its partners since its formation. See "[Note 5 - Equity Method Investment in ARO](#)" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on our investment in ARO and notes receivable from ARO.

The following table summarizes the maturity schedule of our notes receivable from ARO as of September 30, 2021 (in millions):

Maturity Date	Principal Amount	
October 2027	\$	265.0
October 2028		177.7
Total	\$	442.7

Other Commitments

We have other commitments that we are contractually obligated to fulfill with cash under certain circumstances. As of September 30, 2021, we were contingently liable for an aggregate amount of \$151.1 million under outstanding letters of credit which guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Obligations under these letters of credit are not normally called, as we typically comply with the underlying performance requirement. As of September 30, 2021, we had collateral deposits in the amount of \$31.4 million with respect to these agreements.

In connection with our 50/50 joint venture with ARO, we have a potential obligation to fund ARO for newbuild jackup rigs. ARO has plans to purchase 20 newbuild jackup rigs over an approximate 10 year period. In January 2020, ARO ordered the first two newbuild jackups with delivery scheduled in 2022. In the event ARO has insufficient cash from operations or is unable to obtain third-party financing, each partner may periodically be required to make additional capital contributions to ARO, up to a maximum aggregate contribution of \$1.25 billion from each partner to fund the newbuild program. Each partner's commitment shall be reduced by the actual cost of each newbuild rig, on a proportionate basis. See "[Note 5 - Equity Method Investment in ARO](#)" to our condensed consolidated financial statements included in "Item 1. Financial Statements" for additional information on our joint venture with ARO.

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

Recent Tax Assessments

During 2019, the Australian tax authorities issued aggregate tax assessments totaling approximately A\$101.0 million (approximately \$73.0 million converted at current period-end exchange rates) plus interest related to the examination of certain of our tax returns for the years 2011 through 2016. During the third quarter of 2019, we made a A\$42.0 million payment (approximately \$29.0 million at then-current exchange rates) to the Australian tax authorities to litigate the assessment. We have a \$17.6 million liability for unrecognized tax benefits relating to these assessments as of September 30, 2021. We believe our tax returns are materially correct as filed, and we are vigorously contesting these assessments. Although the outcome of such assessments and related administrative

proceedings cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on our financial position, operating results and cash flows.

Guarantees of Registered Securities

The First Lien Notes issued by Valaris Limited have been fully and unconditionally guaranteed, jointly and severally, on a senior secured basis, by certain of the direct and indirect subsidiaries (the “Guarantors”) of Valaris Limited under the First Lien Notes Indenture governing the First Lien Notes (the “Guarantees”). The First Lien Notes and Guarantees are secured by liens on the collateral, including, among other things, subject to certain agreed security principles, (i) first-priority perfected liens on 100% of the equity interests of each restricted subsidiary directly owned by Valaris Limited or any Guarantor and (ii) a first-priority perfected lien on substantially all assets of Valaris Limited and each Guarantor, in each case subject to certain exceptions and limitations (collectively, the “Collateral”). We are providing the following information about the Guarantors and the Collateral in compliance with Rules 13-01 and 13-02 of Regulation S-X.

First Lien Note Guarantees

The Guarantees are joint and several senior secured obligations of each Guarantor and rank equally in right of payment with existing and future senior indebtedness of such Guarantor and effectively senior to such Guarantor’s existing and future indebtedness (i) that is not secured by a lien on the Collateral securing the First Lien Notes, or (ii) that is secured by a lien on the Collateral securing the First Lien Notes ranking junior to the liens securing the First Lien Notes. The Guarantees rank effectively junior to such Guarantor’s existing and future secured indebtedness (i) that is secured by a lien on the Collateral that is senior or prior to the lien securing the First Lien Notes, or (ii) that is secured by liens on assets that are not part of the Collateral, to the extent of the value of such assets. The Guarantees rank equally with such Guarantor’s existing and future indebtedness that is secured by first-priority liens on the Collateral and senior in right of payment to any existing and future subordinated indebtedness of such Guarantor. The Guarantees are structurally subordinated to all existing and future indebtedness and other liabilities of any non-Guarantors, including trade payables (other than indebtedness and liabilities owed to such Guarantor).

Under the First Lien Notes Indenture, a Guarantor may be automatically and unconditionally released and relieved of its obligations under its guarantee under certain circumstances, including: (1) in connection with any sale, transfer or other disposition (including by merger, consolidation, distribution, dividend or otherwise) of all or substantially all of the assets of such Guarantor to a person that is not the Company or a restricted subsidiary, if such sale, transfer or other disposition is conducted in accordance with the applicable terms of the First Lien Notes Indenture, (2) in connection with any sale, transfer or other disposition (including by merger, consolidation, amalgamation, distribution, dividend or otherwise) of all of the capital stock of any Guarantor, if such sale, transfer or other disposition is conducted in accordance with the applicable terms of the First Lien Notes Indenture, (3) upon our exercise of legal defeasance, covenant defeasance or discharge under the First Lien Notes Indenture, (4) unless an event of default has occurred and is continuing, upon the dissolution or liquidation of a Guarantor in accordance with the First Lien Notes Indenture, and (5) if such Guarantor is properly designated as an unrestricted subsidiary, in each case in accordance with the provisions of the First Lien Notes Indenture.

We conduct our operations primarily through our subsidiaries. As a result, our ability to pay principal and interest on the First Lien Notes is dependent on the cash flow generated by our subsidiaries and their ability to make such cash available to us by dividend or otherwise. The Guarantors’ earnings will depend on their financial and operating performance, which will be affected by general economic, industry, financial, competitive, operating, legislative, regulatory and other factors beyond their control. Any payments of dividends, distributions, loans or advances to us by the Guarantors could also be subject to restrictions on dividends under applicable local law in the jurisdictions in which the Guarantors operate. In the event that we do not receive distributions from the Guarantors, or to the extent that the earnings from, or other available assets of, the Guarantors are insufficient, we may be unable to make payments on the First Lien Notes.

Pledged Securities of Affiliates

Pursuant to the terms of the First Lien Notes collateral documents, the Collateral Agent under the First Lien Notes Indenture may pursue remedies, or pursue foreclosure proceedings on the Collateral (including the equity of the Guarantors and other direct subsidiaries of Valaris Limited and the Guarantors), following an event of default under the First Lien Notes Indenture. The Collateral Agent's ability to exercise such remedies is limited by the intercreditor agreement for so long as any priority lien debt is outstanding.

The combined value of the affiliates whose securities are pledged as Collateral constitutes substantially all of the Company's value, including assets, liabilities and results of operations. As such, the assets, liabilities and results of operations of the combined affiliates whose securities are pledged as Collateral are not materially different than the corresponding amounts presented in the consolidated financial statements of the Company. The value of the pledged equity is subject to fluctuations based on factors that include, among other things, general economic conditions and the ability to realize on the Collateral as part of a going concern and in an orderly fashion to available and willing buyers and outside of distressed circumstances. There is no trading market for the pledged equity interests.

Under the terms of the First Lien Notes Indenture and the other documents governing the obligations with respect to the First Lien Notes (the "Notes Documents"), Valaris Limited and the Guarantors will be entitled to the release of the Collateral from the liens securing the First Lien Notes under one or more circumstances, including (1) upon full and final payment of any such obligations; (2) to the extent that proceeds continue to constitute Collateral, in the event that Collateral is sold, transferred, disbursed or otherwise disposed of in accordance with the Notes Documents; (3) upon our exercise of legal defeasance, covenant defeasance or discharge under the First Lien Notes Indenture; (4) with respect to vessels, certain specified events permitting release of the mortgage with respect to such vessels under the First Lien Notes Indenture; (5) with the consent of the requisite holders under the First Lien Notes Indenture; (6) with respect to equity interests in restricted subsidiaries that incur permitted indebtedness, if such equity interests shall secure such other indebtedness and the same is permitted under the terms of the First Lien Notes Indenture; and (7) as provided in the intercreditor agreement. The collateral agency agreement also provides for release of the Collateral from the liens securing the Notes under the above described circumstances (but including additional requirements for release in relation to all of the documents governing the indebtedness that is secured by first-priority liens on the Collateral, in addition to the First Lien Notes Indenture). Upon the release of any subsidiary from its guarantee, if any, in accordance with the terms of the First Lien Notes Indenture, the lien on any pledged equity interests issued by such Guarantor and on any assets of such Guarantor will automatically terminate.

Summarized Financial Information

The summarized financial information below reflects the combined accounts of the Guarantors and Valaris Limited (collectively, the "Obligors"), for the dates and periods indicated. The financial information is presented on a combined basis and intercompany balances and transactions between entities in the Obligor group have been eliminated.

Summarized Balance Sheet Information:

	Successor	Predecessor
(in millions)	September 30, 2021	December 31, 2020
ASSETS		
Current assets	\$ 1,159.5	\$ 901.8
Amounts due from non-guarantor subsidiaries, current	737.5	756.5
Amounts due from related party, current	7.4	20.5
Noncurrent assets	992.0	10,514.5
Amounts due from non-guarantor subsidiaries, noncurrent	1,472.5	4,879.2
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities	368.6	369.4
Amounts due to non-guarantor subsidiaries, current	64.2	865.5
Amounts due to related party, current	14.8	—
Long-term debt	545.1	—
Noncurrent liabilities	490.9	653.4
Amounts due to non-guarantor subsidiaries, noncurrent	1,921.2	7,848.6
Noncontrolling interest	2.6	(4.4)

Summarized Statement of Operations Information:

	Successor	Predecessor
(in millions)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020
Operating revenues	\$ 294.6	\$ 335.4
Operating revenues from related party	14.7	21.7
Operating costs and expenses	306.5	474.8
Reorganization expense	(6.5)	(82.9)
Income (loss) from continuing operations before income taxes	(80.7)	(73.1)
Net income (loss) attributable to noncontrolling interest	(1.7)	1.1
Net income (loss)	(82.4)	(72.0)

	Successor	Predecessor	
(in millions)	Five Months Ended September 30, 2021	Four Months Ended April 30, 2021	Nine Months Ended September 30, 2020
Operating revenues	\$ 520.3	\$ 384.1	\$ 1,166.3
Operating revenues from related party	25.5	23.1	72.2
Operating costs and expenses	508.0	1,262.2	5,286.8
Reorganization expense	(10.6)	(3,584.1)	(82.9)
Income (loss) from continuing operations before income taxes	93.1	(4,337.0)	(3,830.8)
Net income (loss) attributable to noncontrolling interest	(3.8)	(3.2)	3.9
Net income (loss)	89.3	(4,340.2)	(3,826.9)

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires us to make estimates, judgments and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to our audited consolidated financial statements for the year ended December 31, 2020, included in our annual report on Form 10-K filed with the SEC on March 2, 2021. These policies, along with our underlying judgments and assumptions made in their application, have a significant impact on our condensed consolidated financial statements.

We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results and that require the most difficult, subjective and/or complex judgments regarding estimates in matters that are inherently uncertain. Our critical accounting policies are those related to property and equipment, impairment of property and equipment, income taxes and pension and other post-retirement benefits. For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in Part II of our annual report on Form 10-K for the year ended December 31, 2020. Concurrent with our emergence from bankruptcy, we adopted fresh start accounting and elected to change the accounting policies related to property and equipment as well as materials and supplies. See "[Note 1](#), Unaudited Condensed Consolidated Financial Statements" to our condensed consolidated financial statements included in "Part I, Item 1. Financial Statements" for more information.

New Accounting Pronouncements

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

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Not applicable.

Item 4. *Controls and Procedures*

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

Based on their evaluation as of September 30, 2021, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective.

Changes in Internal Controls – There have been no material changes in our internal controls over financial reporting during the fiscal quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

Environmental Matters

We are currently subject to pending notices of assessment relating to spills of drilling fluids, oil, brine, chemicals, grease or fuel from drilling rigs operating offshore Brazil from 2008 to 2020, pursuant to which the governmental authorities have assessed, or are anticipated to assess, fines. We have contested these notices and appealed certain adverse decisions and are awaiting decisions in these cases. Although we do not expect final disposition of these assessments to have a material adverse effect on our financial position, operating results and cash flows, there can be no assurance as to the ultimate outcome of these assessments. A \$0.5 million liability related to these matters was included in accrued liabilities and other on our Condensed Consolidated Balance Sheet as of September 30, 2021.

Other Matters

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

Item 1A. Risk Factors

There are numerous factors that affect our business and results of operations, many of which are beyond our control. In addition to information set forth in this quarterly report, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2020, and Item 1A "Risk Factors" of Part II of our Quarterly Report on Form 10-Q for the quarterly period June 30, 2021, which contains descriptions of significant risks that may cause our actual results of operations in future periods to differ materially from those currently anticipated or expected.

Item 6. Exhibits

Exhibit Number	Exhibit
10.1*	<u>Settlement Agreement dated September 14, 2021, among ENSCO Global Resources Limited, Thomas Burke and Valaris.</u>
10.2*	<u>Separation and Release Agreement, dated September 15, 2021, between Jonathan Baksht and Valaris.</u>
10.3*	<u>Interim CEO Letter Agreement, dated August 18, 2021, between Anton Dibowitz and Valaris.</u>
10.4*	<u>Interim CFO Letter Agreement, dated August 18, 2021, between Darin Gibbins and Valaris.</u>
10.5*	<u>Form of PSU Award Agreement.</u>
10.6*	<u>Form of Deferred RSU Award Agreement.</u>
10.7*	<u>Form of Director RSU Agreement.</u>
*31.1	<u>Certification of the Chief Executive Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
*31.2	<u>Certification of the Chief Financial Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
**32.1	<u>Certification of the Chief Executive Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
**32.2	<u>Certification of the Chief Financial Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
*101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema Document
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
*104	The cover page of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL (included with Exhibit 101 attachments).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Valaris Limited

Date: November 2, 2021

/s/ DARIN GIBBINS

Darin Gibbins
Interim Chief Financial Officer and
VP — Investor Relations & Treasurer
(principal financial officer)

/s/ COLLEEN W. GRABLE

Colleen W. Grable
Controller
(principal accounting officer)

Dated 14 September 2021

(1) ENSCO GLOBAL RESOURCES LIMITED

(2) DR. THOMAS PETER HORLICK BURKE

and

(3) VALARIS LIMITED

**Without Prejudice
Subject to Contract**

SETTLEMENT AGREEMENT

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SETTLEMENT AGREEMENT

THIS DEED (the “**Agreement**”) is made on 14 September 2021

AMONG:

- (1) **ENSCO GLOBAL RESOURCES LIMITED**, (No. 07098531) whose registered office is at Cannon Place, 78 Cannon Street, London, England, EC4N 6AF (“**Ensco UK**”);
- (2) **DR. THOMAS PETER HORLICK BURKE**, (the “**Executive**”); and
- (3) **VALARIS LIMITED**, a Bermuda exempted company (“**Valaris**”, and together with its subsidiaries, the “**Company**”).

RECITALS

- (A) The Executive has been employed by the Company under the terms of an Employment Agreement (“**Employment Agreement**”), initially dated as of the October 7, 2018 and amended and restated as of the date of approval of the plan of reorganization of Valaris plc and its affiliates, made by and among Rowan Companies, Inc., a Delaware corporation (“**RCI**”), Ensco UK, and, solely for the purposes of guaranteeing the payments and obligations under the Employment Agreement, Valaris.
- (B) Valaris is entering into this Agreement for itself and as agent for and trustee of all its Group Companies and is duly authorised on their behalf. The parties intend that each Group Company should be able to enforce in its own right the terms of this Agreement which expressly or impliedly confer a benefit on that Company subject to and in accordance with the provisions of the Contracts (Right of Third Parties) Act 1999.
- (C) The Executive has received independent legal advice from the Adviser, a qualified lawyer as such term is defined in Section 203 of the Employment Rights Act 1996, as to the terms and effect of this Agreement and is aware that he has those potential claims against the Company which are listed and have been raised in clause 6.

THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

- 1.1 In this Agreement capitalized terms shall, unless defined herein, have the meanings given to them in the Employment Agreement:

“**Adviser**” means Michèle Aubertin of Stephenson Harwood LLP.

“**Group Company**” and “**Group Companies**” shall mean Ensco UK and any group undertaking (as defined in Section 1161(5) of the Companies Act 2006 and supplemented by Section 1162 of the Companies Act 2006) or any associated body corporate (as defined in Section 256 of the Companies Act 2006) for the time being of Ensco UK.

“**HMRC**” means Her Majesty’s Revenue & Customs and, where relevant, any predecessor body which carried out part of its functions.

"Pension Scheme" means The Rowan Pension Plan.

"Post-Employment Notice Pay" has the meaning given in section 402D of the Income Tax (Earnings and Pensions) Act 2003.

“Termination Date” means September 15, 2021.

- 1.2 The headings in this Agreement are inserted for convenience only and shall not affect its construction.
- 1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.4 Unless the context otherwise requires, a reference to one gender includes a reference to other genders.
- 1.5 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.
- 1.6 The schedules to this Agreement form part of (and are incorporated into) this Agreement.

2. TERMINATION OF EMPLOYMENT

- 2.1 The Executive accepts and confirms the termination of his employment with the Company and any Group Companies with effect from the Termination Date save for clauses 6 (Non-solicitation; Unfair Competition; and Non-disparagement), 7 (Nondisclosure of Proprietary Information) and 8 (Inventions) of the Employment Agreement which are intended to, and which the Executive agrees do, survive termination.
- 2.2 The Executive shall be entitled to receive:
 - (a) his salary up to and including the Termination Date in the normal way;
 - (b) pay in lieu of any accrued but unused holiday (vacation/paid time off) entitlement as of the Termination Date;
 - (c) any outstanding, unreimbursed business expenses owed to Executive in accordance with Company policy; and
 - (d) any amount accrued and arising from Executive’s participation in, or benefits accrued under any Company Arrangements (including, without limitation, any retirement plan, supplemental executive retirement plan, or Pension Scheme of the Group Companies), which amounts shall be payable in accordance with the terms and conditions of such Company Arrangements.

2.3 All of the sums referred to in this clause 2 will be subject to the normal PAYE deductions.

3. OFFICES AND DIRECTORSHIPS; ARO BOARD POSITION

3.1 To the extent he has not already confirmed same, the Executive hereby resigns from his directorships and offices with the Company and from all other directorships and offices which he holds with any other Group Companies (including, without limitation, as a member of the Board and as President and Chief Executive Officer of Valaris) in each case with effect from the end of the day on September 2, 2021, and shall execute such further documents and do such further things (at the cost of the Company) as may in the opinion of the Company be necessary in order to give full effect to clause 3.1.

3.2 Notwithstanding the foregoing, the Executive shall continue to serve on the board of managers (the “**ARO Board**”) of Saudi Aramco Rowan Offshore Drilling Company (“**ARO**”), subject to the Executive’s right to resign such position on 30 days’ advance notice and Valaris’ right to replace or remove the Executive from the ARO Board at any time in its sole discretion. For the avoidance of doubt, service on the ARO Board will entail the Executive’s attendance at any ARO Board meetings, the Executive’s attendance at any ARO committee meetings, the Executive’s participation in ARO-related calls and discussions and, as and to the extent directed by Valaris’ Chief Executive Officer, mentorship of ARO’s Chief Executive Officer. Following the Termination Date (i) the Executive’s service on the ARO Board shall be in a non-employee, independent contractor capacity and (ii) Valaris shall pay the Executive an annual retainer of U.S. \$150,000 for such service (the “**ARO Retainer**”). The ARO Retainer shall be paid quarterly, in arrears and pro-rated for any partial quarters of service. Valaris shall also reimburse the Executive for all reasonable travel and other business expenses incurred by the Executive in the performance of his duties on the ARO Board to the extent not otherwise required to be reimbursed by ARO. Executive will be provided indemnification and protection by ARO in connection with his association with ARO as provided in ARO’s governing documents. To the extent not otherwise provided pursuant to the Amended and Restated Articles of Association of ARO, the Shareholders’ Agreement dated 21 November 2016 between Saudi Aramco Development Company and Rowan Rex Limited, as amended, and any other ARO governing document or agreement with the Executive, each as may be amended from time to time, to the fullest extent permitted by law, the Company will defend and indemnify, and otherwise hold Executive harmless, from and against any claims or liabilities arising out of or relating to Executive’s service on the ARO Board except to the extent arising out of the Executive’s fraud, dishonesty, gross negligence, willful misconduct, breach of duty, breach of trust or actions or omissions taken in bad faith. Executive’s association with and activities related to ARO pursuant to this Section 3.2 will not be considered prohibited competition in breach of any restrictive covenants set forth in this Agreement, incorporated herein by reference, or otherwise applicable to the Executive.

4. TERMINATION PAYMENTS AND BENEFITS

4.1 By way of compensation for loss of office and the termination of the Executive's employment and without admission of liability (and provided he has previously returned to the Company a copy of this Agreement executed by him and the letter in schedule 1 signed by the Adviser and further provided he satisfies the provisions of this Agreement), the Company shall pay or provide the Executive with the following in accordance with Section 4(b) of the Employment Agreement:

- (a) an amount in cash equal to U.S. \$1,710,000, per Section 4(b)(i) of the Employment Agreement, payable in a single lump sum on October 25, 2021;
- (b) an amount in cash equal to U.S. \$1,929,128, per Section 4(b)(ii) of the Employment Agreement, payable in a single lump sum on October 25, 2021;
- (c) a pro-rated portion (based on the number of days between July 1, 2021 and the Termination Date) of the second half 2021 bonus award that the Executive would have earned had Executive remained employed through the end of the 2021 fiscal year, as determined by the Board of Directors of Valaris based upon actual performance for 2021 and paid at the same time annual bonuses are generally paid to the Company's senior executives in early 2022, per Section 4(b)(iii) of the Employment Agreement;
- (d) to the extent such continuation coverage is elected and maintained by the Executive pursuant to the U.S. Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), reimbursement for the excess of (i) the actual COBRA premium costs charged to the Executive for continued coverage under the employer-provided medical, dental and vision plans in which the Executive and his eligible dependents are enrolled immediately prior to the Termination Date less (ii) the cost to active employees for such coverages, for a period of up to twenty four (24) months following the Termination Date; provided, that if the continued coverage contemplated by this Section 4.1(d) would be discriminatory and would result in the imposition of excise taxes or other liabilities on the Company for failure to comply with any requirements of the U.S. Patient Protection and Affordable Care Act of 2010, as amended, and the U.S. Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable), or other applicable law, the Company will provide Executive with a cash payment equal to the employer-portion of any COBRA premiums, inclusive of any taxes thereon, for the remainder of the up to twenty four (24) month period, per Section 4(b)(iv) of the Employment Agreement;
- (e) to the extent that the Executive relocates from the U.K. to the United States within 30 days following the Termination Date, reimbursement of all reasonable relocation-related expenses to return the Executive to the United States (not including make-whole payments for any loss incurred on the sale of the Executive's principal residence in the U.K.) in accordance with and as provided under the Company's Expatriate Assignment Policy (the "Expatriate Policy");

- (f) any tax equalization and expatriate assignment benefits due to Executive in connection with employment outside the United States in accordance with the terms of the Expatriate Policy; and
- (g) a contribution of up to £10,000 towards the legal fees incurred by the Executive in reaching this Agreement (including any disbursements), plus VAT, if applicable. This payment shall be made directly to the legal advisers following receipt of appropriate invoices addressed to the Executive in accordance with section 413A of the Income Tax (Earnings and Pensions) Act 2003.

4.2 Any payments made to the Executive pursuant to this Agreement shall be made by direct transfer to the bank account into which he ordinarily received his salary payments whilst employed by the Company. If the Executive should die before the termination payments or any other sums set out in this Agreement have been fully paid to him, then the Company agrees that it will make those payments to the Executive's estate and this Agreement can be enforced by his estate to enforce such payments.

4.3 The Company will make arrangements for the trustees or administrators of the Pension Scheme to write to the Executive separately regarding any benefits due to him from the Pension Scheme.

4.4 Executive is under no obligation to seek other employment and there shall be no offset against any amounts due to him from the Company pursuant to this Agreement or otherwise on account of any remuneration or benefits provided by any subsequent non-competitive employment he may obtain.

5. CONDITION PRECEDENT

The payments and benefits referred to in clause 4 above (the “**Settlement**”) shall be subject to clauses 6 and 7 below.

6. WAIVER OF CLAIMS

6.1 The Executive agrees that he has carefully considered all the facts and circumstances relating to his offices and employment and their termination and accepts the Settlement and other terms of this Agreement in full and final settlement of:

- (a) the following particular claims against the Company or any Group Company and its or their officers or employees (each of which is hereby intimated and waived):
 - (i) for breach of contract or wrongful dismissal;
 - (ii) for unfair dismissal, under section 111 of the Employment Rights Act 1996;
 - (iii) for unfair dismissal under section 103A of the Employment Rights Act 1996;
 - (iv) in relation to an unlawful deduction from wages or unlawful payment, under section 23 of the Employment Rights Act 1996;

- (v) in relation to working time or holiday pay, under regulation 30 of the Working Time Regulations 1998;
- (vi) for direct or indirect discrimination, harassment or victimisation related to age, under section 120 of the Equality Act 2010,

(b) the following additional claims against the Company or any Group Company and its or their officers or employees (each of which is hereby intimated and waived):

- (i) in relation to the right to a written statement of reasons for dismissal, under section 93 of the Employment Rights Act 1996;
- (ii) for a statutory redundancy payment, under section 163 of the Employment Rights Act 1996;
- (iii) for unlawful detriment, under section 48 of the Employment Rights Act 1996 or section 56 of the Pensions Act 2008;
- (iv) in relation to parental rights and flexible working, under sections 80 and 80H of the Employment Rights Act 1996;
- (v) for equal pay or equality of terms under sections 120 and 127 of the Equality Act 2010;
- (vi) for pregnancy or maternity discrimination, direct or indirect discrimination, harassment or victimisation related to sex, marital or civil partnership status, pregnancy or maternity or gender reassignment under section 120 of the Equality Act 2010;
- (vii) for direct or indirect discrimination, harassment or victimisation related to race under section 120 of the Equality Act 2010;
- (viii) for direct or indirect discrimination, harassment or victimisation related to disability, perceived disability, discrimination arising from disability, or failure to make adjustments under section 120 of the Equality Act 2010;
- (ix) for direct or indirect discrimination, harassment or victimisation related to religion or belief under section 120 of the Equality Act 2010;
- (x) for direct or indirect discrimination, harassment or victimisation related to sexual orientation, under section 120 of the Equality Act 2010;

- (xi) for direct or indirect discrimination, harassment or victimisation related to age, under section 120 of the Equality Act 2010;
 - (xii) for less favourable treatment on the grounds of part-time status, under regulation 8 of the Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000;
 - (xiii) for less favourable treatment on the grounds of fixed-term status, under regulation 7 of the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002;
 - (xiv) under paragraphs 4 and 8 of the Schedule to the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006;
 - (xv) in relation to the right to be accompanied under section 11 of the Employment Relations Act 1999;
 - (xvi) in relation to personal injury, whether or not the Executive is aware or ought reasonably to be aware of such claims at the date of this agreement;
 - (xvii) for harassment under the Protection from Harassment Act 1997;
 - (xviii) for failure to comply with obligations under the Human Rights Act 1998;
 - (xix) for failure to comply with obligations under the Data Protection Act 2018 and applicable laws protecting personal data;
 - (xx) arising as a consequence of the United Kingdom's membership of the European Union;
 - (xxi) for violation of any other federal, state, or municipal statute, including, but not limited to, Title VII of the U.S. Civil Rights Act of 1964; the U.S. Civil Rights Act of 1991; the U.S. Rehabilitation Act of 1973; the U.S. Americans with Disabilities Act of 1990; the U.S. Equal Pay Act; the Fair Credit Reporting Act; the U.S. Age Discrimination in Employment Act of 1967; the U.S. Older Workers Benefit Protection Act; the U.S. Employee Retirement Income Security Act of 1974; the U.S. Worker Adjustment and Retraining Notification Act; the U.S. Family and Medical Leave Act; and the U.S. Sarbanes-Oxley Act of 2002,
- (c) any other rights of action whatsoever and howsoever arising (whether under common law, statute, European Union law or otherwise) whether in the United Kingdom or any other country or jurisdiction and whether contemplated or not

which he has or may have against the Company or any Group Company or its or their employees or officers arising out of his employment or its termination or his past or present directorships or offices or their termination and he irrevocably waives any such claims or rights of action which he now has or may become aware of hereafter.

- (d) For the avoidance of doubt and notwithstanding anything to the contrary contained herein, nothing herein will be deemed to release any rights or remedies in connection with (i) the Executive's ownership of vested equity securities of Valaris or any of its affiliates, and (ii) the Executive's rights under any directors & officers liability insurance policies then in effect, or to indemnification (including advancement of expenses) by Valaris or any of its affiliates pursuant to contract or applicable law (the "Retained Claims"). In addition, this waiver of claims does not release claims that cannot be released as a matter of law, including, but not limited to, the Executive's right to file a charge with or participate in a charge by the U.S. Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that the Executive's release of claims herein bars the Executive from recovering such monetary relief from the Company or any Group Company), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA, claims to any benefit entitlements vested as the date of separation of Executive's employment, pursuant to written terms of any employee benefit plan of the Company or its affiliates and the Executive's right under applicable law and any Retained Claims. This release further does not release claims for breach of Section 3(c) or Section 4(b) of the Employment Agreement.

7. WARRANTIES

7.1 The Executive warrants that:

- 7.1.1 he has no claims against the Company, any Group Company or their employees or officers other than those raised in clause 6.1 (a), (b) and (c); and
- 7.1.2 he is not guilty of any act or omission which would entitle the Company to summarily dismiss him without notice or compensation.

7.2 The Executive acknowledges that the Company has relied on the warranties set out in this Agreement in entering into this Agreement and that the Company shall be released from any obligation to make any payment or provide any benefit to the Executive hereunder in the event that Executive is in material breach of all or any of these warranties.

8. TAX INDEMNITY

8.1 The deductions for tax and other statutory deductions made from the Settlement by the Company are in accordance with the Company's current understanding of the tax regime. However the Executive agrees to be responsible for the payment of any

further tax and other statutory deductions (whether the same are payable in the United Kingdom or elsewhere) in respect of all and any part of the Settlement and to indemnify each and every Group Company (and to keep each and every Group Company indemnified on a continuing basis) against all and any liabilities to taxation or statutory deductions (including any interest, fines, penalties, surcharges, costs and expenses) which they may incur in respect of or by reason of all and any part of the Settlement.

- 8.2 To the extent that the Company or any Group Company incurs any liability to tax in respect of any payment under this indemnity, the Executive shall pay such additional amounts to the Group Company as are required to ensure that the net amount received and retained by the Group Company (after tax) is equal to the full amount which would have been received and retained had no such liability to tax been incurred provided that this clause shall not confer any right on the Company or any Group Company to recover any sums to the extent that recovery of the same is prohibited by law.
- 8.3 To the extent practicable, the Company shall give the Executive reasonable notice of any demand for tax which may lead to liabilities on him under the indemnity referred to in this clause 8 and shall provide the Executive with reasonable access to any documentation he may reasonably require to dispute such a claim.
- 8.4 The parties agree that the Executive's Post-Employment Notice Pay will be zero (nil).
- 8.5 Tax Preparation Assistance. In accordance with Company policy, the Company shall pay all reasonable costs associated with the preparation of the Executive's tax returns and the resolution of any tax disputes that may directly result from payments received in connection with the Executive's employment with the Company and its subsidiaries in the United Kingdom, termination of employment, and service on the ARO Board as the Company's designated representative, in the same manner and to the same extent that the Company provides this benefit to other executives of the Company. It is the Executive's responsibility to file all required returns and provide any required documentation on a timely basis to comply with U.S. expatriate tax laws as well as the tax laws of the United Kingdom. The Company shall neither be responsible for nor reimburse the Executive for any penalties or interest assessed or incurred by the Executive resulting from or attributable to the Executive's failure to timely file any return or timely provide any required information or documentation. Notwithstanding anything herein to the contrary, payment of third-party tax preparation services under this section will only apply with respect to taxes due on payments and other compensation the Executive has received and will receive from the Company and its subsidiaries, and will apply for: (A) any tax periods in which the Executive has received or will receive any such payments or compensation from the Company and its subsidiaries and (B) any tax periods in which the Executive is subject to taxation in the United Kingdom in respect of his employment with the Company and its subsidiaries, termination of employment, or service on the ARO Board as the Company's designated representative. For the avoidance of doubt, except as expressly set forth in the Company's expatriate assignment and tax equalization policy, the Executive shall be responsible for any taxes due on payments or benefits

received from the Company and its subsidiaries and the Company shall not provide any tax gross-ups or tax equalization payments to the Executive.

9. COMPANY PROPERTY

- 9.1 The Executive warrants that, except in connection with service on the ARO Board, (i) he has returned to the Company all documents (including copies), software, credit or charge cards and any other property belonging to any of the Group Companies ("**Group Company Property**"); (ii) he has not downloaded any information or software belonging to the Company or any Group Company; (iii) he has disclosed to the Company any passwords or computer access codes relevant to the business of the Company or any Group Company; and (iv) all correspondence or e-mails belonging to the Company and held on the Executive's personal computer have been transferred to compact disc or similar media and returned to the Company and that any copies held on the personal computer are permanently deleted.
- 9.2 The Executive undertakes to return to the Company forthwith any Group Company Property which may come into his possession or control in the future.

10. CONFIDENTIAL INFORMATION

- 10.1 Without prejudice to the Executive's common law and contractual obligations, and subject always to Clause 10.2 below, he hereby undertakes that he will not at any time use or disclose to any person, company, firm, individual or organisation (except with the agreement of the Company or as required by law) any trade secret or Confidential Information belonging or relating to the Company or any Group Company which he obtained during his employment with any such companies or the terms of this Agreement.
- 10.2 The parties both acknowledge and understand that the purpose of this Agreement is not to prevent, discourage or improperly influence the reporting of matters that are properly disclosable to the courts, to other law enforcement bodies, or under regulatory law or under the Public Interest Disclosure Act 1998 and nothing in this Agreement will restrict the Executive's right to disclose information on the terms of the settlement if required:
- 10.2.1 by any order of any court of competent jurisdiction or any regulatory, judicial, governmental or similar body or taxation authority of competent jurisdiction;
 - 10.2.2 by any law or reporting requirement;
 - 10.2.3 in order to instruct legal or professional advisers provided that the Executive procures that any such adviser agrees to keep the information confidential;
 - 10.2.4 in order to disclose any matter that may reasonably be considered to be a criminal or professional or regulatory offence in the laws or regulations of any country, or to assist in the investigation of any such offence;
 - 10.2.5 in order to make a protected disclosure pursuant to the Public Interest Disclosure Act 1998 (as amended);

The Executive acknowledges and confirms that the Adviser has advised him concerning the meaning and effect of this clause 10 and clauses 14 and 16 below and the circumstances in which the Executive is free to use or disclose information in accordance with the provisions of this clause 10.2.

11. INDEPENDENT LEGAL ADVICE; ADEA WAIVER

11.1 The Executive warrants that:

11.1.1 he has received independent legal advice from a qualified lawyer acting in his or her professional capacity and who holds a current practising certificate, as to the terms and effect of this Agreement and, in particular, its effect on his ability to pursue his rights before an Employment Tribunal or court of competent jurisdiction in England and Wales;

11.1.2 that there was in force, when that lawyer gave the advice referred to in this paragraph, a policy of insurance covering claims in respect of any loss which may arise in consequence of the advice, as required by section 203 of the Employment Rights Act 1996 and section 147 of the Equality Act 2010, and also that, that lawyer is an independent adviser for the purposes of section 147 of the Equality Act 2010; and

11.1.3 he shall provide the Company with a letter in the form set out in schedule 1 signed by the Adviser.

11.2 The Executive understands and acknowledges that the Executive is waiving and releasing any rights the Executive may have under the Age Discrimination in Employment Act of 1967 (“**ADEA**”), and that this waiver and release is knowing and voluntary. The Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Time of this Agreement. The Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which the Executive was already entitled. The Executive further understands and acknowledges that the Executive has been advised by this writing that: (a) the Executive should consult with an attorney prior to executing this Agreement; (b) the Executive has 21 days within which to consider this Agreement; (c) the Executive has 7 days following Executive’s execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company; (d) this Agreement shall not be effective until after the revocation period has expired (the “**Effective Time**”); and (e) nothing in this Agreement prevents or precludes the Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event the Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, the Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

12. COMPLIANCE WITH LEGISLATION

The conditions regulating compromise contracts, compromise agreements and settlement agreements (as applicable) under section 147(3) of the Equality Act 2010, section 203(3) of the Employment Rights Act 1996, regulation 35(3) of the Working Time Regulations 1998, section 14 of the Employment Relations Act 1999, regulation 9 of the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000, regulation 10 of the Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, paragraph 13 of the Schedule to the Occupational and Personal Pensions Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006 and section 58 of the Pensions Act 2008 are satisfied.

13. RESTRICTIVE COVENANTS

The Executive agrees that in consideration of the sum of £1,000 less such deductions the Company is required to make, the Executive shall continue to be bound by the obligations set out in clauses 6 (Non-solicitation; Unfair competition; and Non-disparagement), 7 (Nondisclosure of Proprietary Information) and 8 (Inventions) of the Employment Agreement as a separate and independent obligation of this Agreement and as if the terms of those clauses were set out for the first time herein.

14. FUTURE COOPERATION

- 14.1 The Executive acknowledges that he possesses Confidential Information and agrees that he shall reasonably cooperate with the Company in order to effectuate a smooth and orderly transition of his knowledge, expertise and experience, including, without limitation, responding to the Company's requests for information, identifying outstanding matters and the status thereof, and identifying and explaining the location of files and materials (including computer files) maintained by the Executive during his employment with the Company. Subject always to Clause 10.2 above, the Executive agrees to cooperate with and make himself readily available to the Company or its professional advisers, as the Company may request, to assist in any matter, including but not limited to giving truthful testimony in any litigation or potential litigation, over which the Executive may have knowledge, information or expertise and without requiring payment or compensation save for reimbursement of out of pocket expenses and to notify of any contact by any party or an advisor (or their insurer) to any party involved in any such dispute or Litigation. The Executive agrees that he will not counsel or assist any legal representatives, other advisors or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges or complaints by any third party against the Company or any Group Company or its directors, officers, employees, partners or members, unless under a subpoena or other court order to do so, and then only to the extent required by law. The Executive further agrees as soon as is reasonably practicable and in any event within three working days of receipt to (a) notify the Company upon receipt of any court order, subpoena or legal discovery device that seeks or might require the disclosure or production of the existence or terms of this Agreement; and (b) furnish a copy of such subpoena or legal discovery device to the Company.

- 14.2 The Company will pay the Executive for his assistance pursuant to clause 14.1 at a daily rate of US\$3,000 plus VAT (if applicable) for each working day of assistance he provides. Eight hours will constitute a working day and any fee shall be rounded to the nearest half day worked. The Executive will render invoices to the Company in respect of fees payable pursuant to this clause and will show any applicable VAT separately on such invoices. No Group Company shall account to the Executive for any fee detailed in this clause save on receipt of such an invoice. The Company will pay the Executive within 28 days of receipt of such an invoice.

15. WITHOUT PREJUDICE STATUS

Once executed by both parties this Agreement will form an open and binding agreement notwithstanding the fact that the front sheet is marked “without prejudice” and “subject to contract”.

16. THIRD PARTIES RIGHTS

The Contracts (Rights of Third Parties) Act 1999 shall only apply to this Agreement in relation to the Company or any Group Company. No person other than the parties to this Agreement and any Group Company and the present and former directors, officers and employees of the Company or any Group Company shall have any rights under it and it will not be enforceable by any person other than those parties.

17. ENTIRE AGREEMENT

- 17.1 The terms of this Agreement constitute the entire agreement between the parties in respect of the termination of the Executive’s employment and supersede any previous agreement between them linked to the termination of the Executive’s employment. The parties acknowledge that they are not entering into this Agreement in reliance upon any representation, warranty or undertaking which is not contained or referred to in this Agreement. The terms of this Agreement do not replace or supersede any provision of the Executive’s contract of employment that remains in force after the Termination Date, except where otherwise stated in this Agreement.
- 17.2 No variation of this Agreement shall be binding on either party unless and to the extent that the same is recorded in a written document executed by the parties. No waiver by the Company or any Group Company of any term, provision or condition of this Agreement or of any breach by the Executive of any such term, provision or condition shall be effective unless it is in writing (excluding e-mail) and signed by the Company. No failure to exercise nor any delay in exercising any right or remedy hereunder by the Company or any Group Company shall operate as a waiver thereof or of any other right or remedy hereunder, nor shall any single or partial exercise of any right or remedy by the Company or any Group Company prevent any further or other exercise thereof or the exercise of any other right or remedy.

18. SEVERABILITY

If any provision or part of a provision of this Agreement shall be or become void or unenforceable for any reason, this shall not affect the validity of that provision or any remaining provisions of this Agreement in this or any other jurisdiction and the

provision may be severable and if any provision would be treated as valid and effective if part of the wording was deleted, it shall apply with such modifications as necessary to make it valid and effective.

19. COUNTERPARTS

This Agreement may be executed by counterparts which together shall constitute one agreement. Either party may enter into this Agreement by executing a counterpart, which may be executed electronically, and this Agreement shall not take effect until it has been executed by both parties. Delivery of an executed counterpart or a signature page by facsimile or scanned via email shall take effect as delivery of an executed counterpart of this Agreement following which the relevant party shall give the other the original of such page as soon as reasonably practicable thereafter.

20. GOVERNING LAW AND JURISDICTION

- 20.1 This Agreement shall be governed by and construed in accordance with the law of England and Wales save for those obligations which relate to the Executive's rights and obligations under the Employment Agreement, which shall be subject to Texas law and the dispute resolution provisions set forth in the Employment Agreement, which are incorporated herein by reference.
- 20.2 Each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England and Wales over any claim or matter arising under or in connection with this Agreement.

21. VOLUNTARY EXECUTION OF AGREEMENT.

- 21.1 The Executive understands and agrees that the Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of the Executive's claims against the Group Companies. The Executive acknowledges that: (a) the Executive has read this Agreement; (b) the Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement; (c) the Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of his own choice or has elected not to retain legal counsel; (d) the Executive understands the terms and consequences of this Agreement and of the releases it contains; and (e) the Executive is fully aware of the legal and binding effect of this Agreement.

IN WITNESS whereof this Agreement has been executed as a deed and delivered on the date first above written.

Signed and Delivered as a deed by _____)

DR. THOMAS PETER HORLICK BURKE)

in the presence of: _____) /s/ Thomas Burke_____

Witness signature: /s/ Olivia Luna_____

Witness name: Olivia Luna_____

Signed and Delivered as a deed by _____)

..... For and on behalf of

ENSCO GLOBAL RESOURCES LIMITED)

in the presence of: _____) /s/ John Winton_____

Witness signature: /s/ Anton Dibowitz_____

Witness name: Anton Dibowitz_____

Signed and Delivered as a deed by _____)

..... For and on behalf of

VALARIS LIMITED)

in the presence of: _____) /s/ Anton Dibowitz_____

Witness signature: /s/ John Winton_____

Witness name: John Winton_____

SCHEDULE 1

1 Letter from Adviser

[To be typed on the headed notepaper of [the law firm acting for the individual]]

_____ 201_

Dear Sirs

Re: [*insert name of employer*] (the “**Company**”) and [*insert name of employee*] (the “**Executive**”)

We refer to the agreement between the Company and the Executive, our client, dated _____ 201_, a copy of which is attached (the “Settlement Agreement”) and confirm that:

1. [*name of adviser*] has given the Executive independent [legal] advice as to the terms and effect of the Settlement Agreement and, in particular, its effect on his ability to pursue his rights before an employment tribunal or court;
2. [*name of adviser*] is [a solicitor of the Senior Courts of England and Wales and holds (and held at the time the advice was given) a current practising certificate issued by The Solicitors Regulation Authority;
3. [*firm*] holds, and held at the time the advice was given, a current policy of insurance or an indemnity provided for members of a profession or professional body covering the risk of a claim by the Executive in respect of any loss arising in consequence of the advice; and
4. neither [*firm*] nor [*name of adviser*] acted for the Company or any Group Company in relation to the termination of the Executive’s employment with the Company or the Settlement Agreement and we consider [*name of adviser*] to be an independent adviser for the purposes of section 147 of the Equality Act 2010.

Yours faithfully

[*Name of adviser*]
for and on behalf of
[*firm*]

Separation and Release Agreement

This Release Agreement (this “Release Agreement”) is entered into as of the date set forth below by and between Jonathan Baksht, an individual (“Employee”), and Valaris Limited, an exempted company incorporated under the laws of the Bermuda (the “Company”). Capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to such terms in the Valaris Executive Severance Plan (the “Severance Plan”).

WHEREAS, Employee has been employed by the Company as its Executive Vice President and Chief Financial Officer and will step down from such role as of the end of the day on September 2, 2021;

WHEREAS, Employee’s employment with the Company will terminate effective as of September 15, 2021 (the “Termination Date”);

WHEREAS, Employee is eligible to receive severance payments and benefits set forth on Exhibit A attached hereto (the “Severance Benefits”) in accordance with and subject to the terms of the Severance Plan and as otherwise agreed to in writing with the Company; and

WHEREAS, Employee’s receipt of the Severance Benefits is subject to Employee’s execution and non-revocation of a release of claims, and the Company and Employee desire to enter into this Release Agreement upon the terms set forth herein.

NOW, THEREFORE, in consideration of the covenants undertaken and the releases contained in this Release Agreement, and in consideration of the obligations of the Company to pay the Severance Benefits (conditioned upon this Release Agreement), Employee and the Company agree as follows:

1. Release. Employee, on behalf of herself, his or her descendants, dependents, heirs, executors, administrators, assigns, and successors, and each of them, hereby acknowledges full and complete satisfaction of the Company’s obligations to him or her and covenants not to sue and fully releases and discharges the Company and each of its direct and indirect parents, subsidiaries and affiliates, past and present, as well as its and their trustees, directors, officers, members, managers, partners, agents, attorneys, insurers, employees, stockholders, representatives, assigns, and successors, past and present, and each of them, hereinafter together and collectively referred to as the “Releasees,” with respect to and from any and all claims, wages, demands, rights, liens, agreements or contracts (written or oral), covenants, actions, suits, causes of action, obligations, debts, costs, expenses, attorneys’ fees, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise (each, a “Claim”), which he or she now owns or holds or he or she has at any time heretofore owned or held or may in the future hold as against any of said Releasees arising out of or in any way connected with Employee’s service as an officer, director, employee, member or manager of any Releasee or Employee’s separation from his or her position as an officer, director, employee, manager and/or member, as applicable, of any Releasee, whether known or unknown, suspected or unsuspected,

resulting from any act or omission by or on the part of said Releasees, or any of them, committed or omitted prior to the date of this Release Agreement including, without limiting the generality of the foregoing, any Claim under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967 (“ADEA”), the Americans with Disabilities Act, the Family and Medical Leave Act of 1993, or any other federal, state or local law, regulation, or ordinance, or any Claim for severance pay, bonus, sick leave, holiday pay, vacation pay, life insurance, health or medical insurance or any other fringe benefit, workers’ compensation or disability; *provided however*, that the foregoing release shall not apply to any obligation of the Company to Employee pursuant to or with respect to any of the following: (1) any right to indemnification that Employee may have pursuant to the Company’s Bylaws or the Company’s corporate charter or under any written indemnification agreement with the Company (or any corresponding provision of any subsidiary or affiliate of the Company) with respect to any loss, damages or expenses (including but not limited to attorneys’ fees to the extent otherwise provided) that Employee may in the future incur, including without limitation, with respect to his or her service as an employee, officer or director of the Company or any of its subsidiaries or affiliates; (2) any rights that Employee may have to insurance coverage under any Company (or subsidiary or affiliate) directors and officers liability insurance policy; (3) any rights to continued group health plan coverage that Employee may have under COBRA; (4) any rights to payment of benefits that Employee may have under a retirement plan sponsored or maintained by the Company that is intended to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended or (5) any rights to payments under the ENSCO Supplemental Executive Retirement Plan. In addition, this release does not cover any Claim that cannot be so released as a matter of applicable law. Employee acknowledges and agrees that he or she has received any and all leave and other benefits that he or she has been and is entitled to pursuant to the Family and Medical Leave Act of 1993.

2. Acknowledgment of Payment of Wages and Offset. Employee acknowledges that he or she has received all amounts owed for his or her regular and usual salary (including, but not limited to, any bonus or other wages), and usual benefits through the date of this Release Agreement. The Severance Benefits shall, however, be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against Employee and shall, to the extent permitted by applicable law, be reduced by the amount of any (i) severance pay or acceleration of benefits under any other agreement with, or plan, program, or policy of, the Company (if any) and (ii) other payments that the Company may otherwise be compelled to pay to Employee under applicable law (other than amounts owed for his or her regular and usual salary including, but not limited to, any bonus or other wages, and usual benefits through the Termination Date).

3. ADEA Waiver. Employee expressly acknowledges and agrees that by entering into this Release Agreement, Employee is waiving any and all rights or Claims that he or she may have arising under ADEA and the Older Worker Benefits Protection Act (“OWBPA”), which have arisen on or before the date of execution of this Release Agreement. Employee further expressly acknowledges and agrees that:

(A) Employee is hereby advised in writing by this Release Agreement to consult with an attorney before signing this Release Agreement;

(B) Employee has voluntarily chosen to enter into this Release Agreement and has not been forced or pressured in any way to sign it;

(C) Employee was given a copy of this Release Agreement on August 16, 2021 and informed that he or she had twenty-one (21) days within which to consider this Release Agreement and that if he or she wished to execute this Release Agreement prior to expiration of such 21-day period, he or she should execute the Endorsement attached hereto;

(D) Employee was informed that he or she had seven (7) days following the date of execution of this Release Agreement in which to revoke this Release Agreement, and this Release Agreement will become null and void if Employee elects revocation during that time. Any revocation must be in writing and must be received by the Company during the seven-day revocation period. In the event that Employee exercises his or her right of revocation, neither the Company nor Employee will have any obligations under this Release Agreement;

(E) Nothing in this Release Agreement prevents or precludes Employee from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA or the OWBPA, nor does it impose any condition precedent, penalties or costs from doing so, unless specifically authorized by federal law.

4. No Transferred Claims. Employee warrants and represents that the Employee has not heretofore assigned or transferred to any person not a party to this Release Agreement any released matter or any part or portion thereof and he or she shall defend, indemnify and hold the Company and each of its affiliates harmless from and against any claim (including the payment of attorneys' fees and costs actually incurred whether or not litigation is commenced) based on or in connection with or arising out of any such assignment or transfer made, purported or claimed.

5. Severability. It is the desire and intent of the parties hereto that the provisions of this Release Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Release Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable under any present or future law, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Release Agreement or affecting the validity or enforceability of such provision in any other jurisdiction; furthermore, in lieu of such invalid or unenforceable provision there will be added automatically as a part of this Release Agreement, a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so

narrowly drawn, without invalidating the remaining provisions of this Release Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

6. Counterparts. This Release Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

7. Governing Law. THIS RELEASE AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF TEXAS OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF TEXAS TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF TEXAS, WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS RELEASE AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

8. Amendment and Waiver. The provisions of this Release Agreement may be amended and waived only with the prior written consent of the Company and Employee, and no course of conduct or failure or delay in enforcing the provisions of this Release Agreement shall be construed as a waiver of such provisions or affect the validity, binding effect or enforceability of this Release Agreement or any provision hereof.

9. Descriptive Headings. The descriptive headings of this Release Agreement are inserted for convenience only and do not constitute a part of this Release Agreement.

10. Construction. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Release Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

11. Arbitration. Any disputes between the parties relating to this Release Agreement, including the arbitrability thereof, shall by mutual agreement be finally settled by binding arbitration in accordance with the Judicial Arbitration & Mediation Service, Inc. ("JAMS") Comprehensive Arbitration Rules and Procedures or any successor provision thereto, as follows: Any party aggrieved will deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute thirty (30) days after the giving of such notice may be submitted to JAMS arbitration conducted before a single neutral arbitrator in Houston, Texas. The arbitrator shall be appointed by agreement of the parties hereto or, if no agreement can be reached, by JAMS. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings. Notwithstanding the foregoing, a party who seeks equitable relief shall not be obligated to utilize the arbitration proceedings required hereunder and instead may seek such relief in any state or federal court sitting in Houston, Texas. The

decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof. The arbitrator shall only be authorized to interpret the provisions of this Release Agreement, and shall not amend, change or add to any such provisions. The parties agree that this provision has been adopted by the parties to rapidly and inexpensively resolve any disputes between them and that this provision will be grounds for dismissal of any court action commenced by either party with respect to this Release Agreement, other than post-arbitration actions seeking to enforce an arbitration award or proceedings seeking equitable relief as permitted by this Release Agreement. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Release Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation. Each party will bear its own expenses and the fees of its own attorneys. The parties and the arbitrator will keep confidential, and will not disclose to any person, except the parties' advisors and legal representatives, or as may be required by law or to enforce in court an arbitrator's award, the existence of any dispute hereunder. Employee acknowledges that arbitration pursuant to this Release Agreement includes all controversies or claims of any kind (e.g., whether in contract or in tort, statutory or common law, legal or equitable) now existing or hereafter arising under any federal, state, local or foreign law, including, but not limited to, the ADEA, the OWBPA, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Employee Retirement Income Security Act, the Family and Medical Leave Act of 1993, the Americans With Disabilities Act and all similar federal, state and local laws, and Employee hereby waives all rights thereunder to have a judicial tribunal and/or a jury determine such claims.

12. Restrictive Covenants.

(A) Each party acknowledges and agrees that Employee shall continue to be obligated to comply with the terms of any restrictive covenant, intellectual property, or confidentiality agreement that Employee executed in connection with Employee's employment with the Company or its affiliates.

(B) Confidentiality. During the course of Employee's employment with the Company, the Company has (1) disclosed or entrusted to Employee, and provided Employee with access to, Confidential Information (as defined below), (2) placed Employee in a position to develop business goodwill belonging to Valaris, plc ("Valaris") and its affiliates, and (3) disclosed or entrusted to Employee business opportunities to be developed for Valaris and its affiliates. Valaris and its affiliates have also taken such actions on the date of this Release Agreement. Employee acknowledges that Confidential Information has been developed or acquired by Valaris and its affiliates through the expenditure of substantial time, effort and money and provides Valaris and its affiliates with an advantage over competitors who do not know or use the Confidential Information. Employee further acknowledges and agrees that the nature of the Confidential Information obtained during his or her employment would make it difficult, if not impossible, for Employee to perform in a similar capacity for a business competitive with Valaris and its affiliates without disclosing or utilizing Confidential

Information. Employee shall hold in confidence and not directly or indirectly disclose, use, copy or make lists of any Confidential Information, except to the extent necessary to carry out his or her duties on behalf of Valaris and its affiliates. Employee agrees to give to Valaris and its affiliates notice of any and all attempts to compel disclosure of any Confidential Information within one (1) business day of being informed that such disclosure is being, or will be, compelled. Such written notice shall include a description of the Confidential Information to be disclosed, the court, government agency, or other forum through which the disclosure is sought, and the date by which the Confidential Information is to be disclosed, and shall contain a copy of the subpoena, order or other process used to compel disclosure. For the avoidance of doubt, the provisions of this subsection shall not apply to (a) any disclosure or use authorized by Valaris or its affiliates or required by applicable law and (b) any information that is or becomes generally available to the public (other than as a result of Employee's unauthorized disclosure). This confidentiality covenant shall be in addition to, and not limit or restrict in any way, any other confidentiality agreement or other post-employment covenant between Employee and Valaris and its affiliates.

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

Valaris or any of its affiliates, and any other person to whom Valaris or any of its affiliates may provide or from whom they may receive information (whether marked confidential or not).

(C) Non-Compete. In exchange for the Severance Benefits and the Company's provision to Employee of Confidential Information and to protect the Company and its affiliates' legitimate business interests, Employee hereby agrees that for a period of twelve (12) months after the Termination Date (the "Restricted Period"), Employee will not, without the prior written consent of the Board or the Chief Executive Officer of Valaris plc, directly or indirectly, provide services to, or own any interest in, manage, operate, control, or participate in the ownership, management, operation or control of, any Direct Competitor (including as an employee or consultant, other than as an employee of, or consultant to, the Company or its affiliates); *provided, however*, that notwithstanding the foregoing, Employee may own, directly or indirectly, solely as a passive investment, securities of any entity traded on a national securities exchange if Employee is not a controlling person of, or a member of a group which controls, such entity and does not, directly or indirectly, own two percent (2%) or more of any class of securities of such entity.

(D) Non-Solicitation. Employee hereby agrees that during the Restricted Period Employee will not, directly or indirectly, induce or attempt to induce, or cause or solicit any officer, manager, contractor or employee of the Company or its Affiliates to cease their relationship with the Company or its Affiliates or hire or engage any such officer, manager, contractor or employee of the Company or its Affiliates, or in any way materially interfere with the relationship between the Company and its Affiliates, on the one hand, and any such officer, manager, contractor or employee, on the other hand. Notwithstanding the foregoing, nothing in this Release Agreement shall prohibit Employee from making a general, public solicitation for employment, or using an employee recruiting or search firm to conduct a search, that does not specifically target employees or consultants of the Company or its Affiliates so long as no persons who were at any time during the twelve (12) month period prior to the commencement of such solicitation, employees or consultants of the Company or its Affiliates are hired or otherwise engaged as a result of such general solicitations or search firm efforts. Employee hereby agrees that during the Restricted Period, he will not, directly or indirectly, induce, or attempt to induce, cause or solicit any customer, client or supplier of the Company or its Affiliates to reduce or cease doing business with the Company or its Affiliates, or in any way knowingly interfere with the relationship between any customer, client or supplier of the Company or its Affiliates, on the one hand, and the Company and its Affiliates, on the other hand.

(E) Intellectual Property Assignment. Employee hereby assigns to the Company all rights, including, without limitation, copyrights, patents, trade secret rights, and other intellectual property rights associated with any ideas, concepts, techniques, inventions, processes, works of authorship, Confidential Information or trade secrets (i) developed or created by Employee, solely or jointly with others, during the course of

performing work for or on behalf of the Company or any of its Affiliates at any time during Employee's period of employment with the Company, (ii) that Employee conceived, developed, discovered or made in whole or in part during Employee's employment by the Company that relate to the business of the Company or its Affiliates or the actual or demonstrably anticipated research or development of the Company or its Affiliates, or (iii) that Employee conceives, develops, discovers or makes in whole or in part during or after Employee's employment by the Company that are made through the use of any trade secrets of the Company or the use of the equipment, facilities, supplies, or time of the Company or its Affiliates (collectively, "Work Product"). Without limiting the foregoing, to the extent possible, all software, compilations and other original works of authorship included in the Work Product will be considered a "work made for hire" as that term is defined in Title 17 of the United States Code. If, notwithstanding the foregoing, Employee for any reason retains any right, title or interest in or relating to any Work Product, Employee agrees promptly to assign, in writing and without any requirement of further consideration, all such right, title, and interest to the Company. Upon request of the Company at any time, Employee will take such further actions, including execution and delivery of instruments of conveyance, as may be appropriate to evidence, perfect, record or otherwise give full and proper effect to any assignments of rights under or pursuant to this Release Agreement.

(F) Company Documents and Property. All writings, records, and other documents and things comprising, containing, describing, discussing, explaining, or evidencing any Confidential Information, and all equipment, computers, mobile phones, components, manuals, parts, keys, tools, and the like in Employee's custody, possession or control that have been obtained by, prepared by, or provided to, Employee by the Company or any Affiliate in the course or scope of Employee's employment with the Company (or any Affiliate) shall be the exclusive property of the Company (or such Affiliate, as applicable), shall not be copied and/or removed from the premises of the Company or any Affiliate, except in pursuit of the business of the Company or an Affiliate, and shall be delivered to the Company or an Affiliate, as applicable, without Employee retaining any copies or electronic versions, within one (1) day following the Termination Date or at any other time requested by the Company.

(G) No Disparaging Comments. Employee and the Company shall refrain from any criticisms or disparaging comments about each other or in any way relating to Employee's employment or separation from employment with the Company; provided, however, that nothing in this Release Agreement shall apply to or restrict in any way the communication of information to any governmental law enforcement agency by either Party that is required by compulsion of law. A violation or threatened violation of this prohibition may be enjoined by a court of competent jurisdiction. The rights under this provision are in addition to any and all rights and remedies otherwise afforded by law to the Parties. Employee acknowledges that in executing this Release Agreement, he or she has knowingly, voluntarily, and intelligently waived any free speech, free association, free press or First Amendment to the United States Constitution (including, without limitation, any counterpart or similar provision or right under any other state constitution

which may be deemed to apply) and rights to disclose, communicate, or publish disparaging information or comments concerning or related to the Company; provided, however, nothing in this Release Agreement shall be deemed to prevent Employee from testifying fully and truthfully in any court proceeding or from responding to an investigative inquiry from any governmental agency. For all purposes of the obligations of Employee under this Section 12(G), the term “Company” refers to the Company and its Affiliates, and its and their directors, officers, employees, shareholders, investors, partners and agents.

(H) Cooperation. Employee agrees to make himself or herself available as reasonably practical with respect to, and to use reasonable efforts to cooperate in conjunction with, the transition of duties and any litigation or investigation arising from events that occurred during Employee’s employment with or engagement by the Company (whether such litigation or investigation is then pending or subsequently initiated) involving the Company or any affiliate thereof, including providing testimony and preparing to provide testimony if so requested by the Company. The Company agrees to be respectful of Employee’s schedule and work obligations. The Company agrees to reimburse Employee for any reasonable expenses incurred in performing his obligations under this provision.

(I) Employee also agrees to keep confidential the terms of this Release Agreement. This provision does not prohibit Employee from providing this information on a confidential and privileged basis to his or her attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law. Moreover, the parties have the right to disclose in confidence trade secrets to government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure all in accordance with 18 U.S.C. § 1833(b). Nothing in this Release Agreement shall restrict such disclosures.

13. Tax Preparation Assistance. In accordance with Company policy, the Company shall pay all reasonable costs associated with the preparation of Employee’s tax returns and the resolution of any tax disputes that may directly result from payments received in connection with Employee’s employment with the Company and its subsidiaries in the United Kingdom in the same manner and to the same extent that the Company provides this benefit to other executives of the Company. It is Employee’s responsibility to file all required returns and provide any required documentation on a timely basis to comply with U.S. expatriate tax laws as well as the tax laws of the United Kingdom. The Company shall neither be responsible nor reimburse for Employee for any penalties or interest assessed or incurred by Employee resulting from or attributable to Employee’s failure to timely file any return or timely provide any required information or documentation. Notwithstanding anything herein to the contrary, payment of third-party tax preparation services under this section will only apply with respect to taxes due on payments and other compensation Employee has received and will receive from the Company and its subsidiaries, and will apply for: (A) any tax periods in which Employee has received or

will receive any such payments or compensation from the Company and its subsidiaries and (B) any tax periods in which Employee is subject to taxation in the United Kingdom in respect of his employment with the Company and its subsidiaries. For the avoidance of doubt, except as expressly set forth in the Company's expatriate assignment and tax equalization policy, Employee shall be responsible for any taxes due on payments or benefits received from the Company and its subsidiaries and the Company shall not provide any tax gross-ups or tax equalization payments to Employee.

14. Nouns and Pronouns. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice-versa.

15. Legal Counsel. Each party recognizes that this is a legally binding contract and acknowledges and agrees that they have had the opportunity to consult with legal counsel of their choice. Employee acknowledges and agrees that he or she has read and understands this Release Agreement completely, is entering into it freely and voluntarily, and has been advised to seek counsel prior to entering into this Release Agreement and he or she has had ample opportunity to do so.

16. Entire Agreement. The Severance Plan and this Release Agreement set forth the entire agreement of the parties and fully supersede and replace any and all prior agreements, promises, representations, or understandings, written or oral, between the Employer and Employee that relate to the subject matter of the Severance Plan and this Release Agreement. This Release Agreement may be amended or modified only by a written instrument identified as an amendment hereto that is executed by both parties.

[Signature Page Follows.]

This Release Agreement may not be executed prior to the Termination Date. The undersigned has read and understands the consequences of this Release Agreement and voluntarily signs it. The undersigned declares under penalty of perjury under the laws of the State of Texas that the foregoing is true and correct.

EXECUTED this 15th day of September, 2021, at 9:50 AM.

“Employee”

/s/ Jonathan Baksht

Jonathan Baksht

VALARIS LIMITED

By: /s/ Anton Dibowitz

Name: Anton Dibowitz

Title: Interim President & CEO

ENDORSEMENT

I, Jonathan Baksht, hereby acknowledge that I was given 21 days to consider the foregoing Release Agreement and voluntarily chose to sign the Release Agreement prior to the expiration of the 21-day period.

I declare under penalty of perjury under the laws of the United States and the State of Texas that the foregoing is true and correct.

EXECUTED this 15th day of September, 2021, at 9:50 AM.

/s/ Jonathan Baksht
Jonathan Baksht

Exhibit A

Severance Benefits

<u>Item</u>	<u>Amount / Description</u>
Cash Severance	\$2,035,000, payable in a lump sum within 30 days following the effective date of the Release Agreement
Bonus for Performance Period of Termination	• \$233,750, payable in a lump sum within 30 days following the effective date of the Release Agreement • An additional payment in an amount equal to the excess (if any) of (i) the actual bonus payment the Executive would have earned under the Company's 2H 2021 bonus program had he remained employed through the payment date for such bonuses with targets and payouts as approved at the June 10, 2021 Board meeting and applicable to Company executives in the plan as of June 10, 2021; and (ii) his target bonus for such program of \$233,750, which excess (if any) shall be payable in a lump sum at the time that other 2H 2021 bonuses are paid to Company executives, and in all events by March 15, 2022
LTIP Awards	None; All forfeited
Health Benefit Continuation	Subject to timely election of continuation coverage under COBRA or other applicable law, subsidized COBRA premiums for up to 12 months, in accordance with Appendix A-1.4 of the Severance Plan

Outplacement Services

Company-provided outplacement services for up to twelve (12) months following the Termination Date.

Legal Fees

Reimbursement for reasonable, documented legal fees of up to \$10,000 in connection with the review of this Release Agreement. This provision does not include attorneys fees Employee incurred for legal services provided in connection with the exit from bankruptcy.



Exhibit 10.3

August 18, 2021

Anton Dibowitz

Dear Anton,

On behalf of Valaris Limited ("**Valaris**"), I am pleased to provide you with this letter agreement (this "**Agreement**") memorializing the terms of your employment with Valaris or one of its subsidiaries to serve as Interim Chief Executive Officer of Valaris, effective as of September 3, 2021.

During the period that you serve as the Interim Chief Executive Officer of Valaris (the "**Term**"), as compensation for all services provided by you, you will be paid a base salary at the rate of \$71,250 per month, pro-rated for any partial month during the term and less applicable taxes and other withholdings, paid in accordance with the company's payroll practices in effect from time to time. In addition, you will be eligible to participate in Valaris' annual short-term incentive bonus plan as applicable to other executive officers of Valaris with a targeted annualized incentive award of 110% of your annualized base salary. Any annual bonus for 2021 will be earned under Valaris' current second half 2021 bonus program and will be pro-rated for your period of employment during the 2021 fiscal year. For the avoidance of doubt, you will not be paid any additional cash compensation for your service as a member of the Board of Directors, but you will continue to vest in the Restricted Stock Units granted to you on July 1, 2021, during the Term.

Although we intend that the Term will continue until a permanent successor is identified and appointed, your employment is not for a specific term and is terminable at-will. This means that you are not entitled to remain an employee or officer of Valaris for any particular period of time, and either you or Valaris may terminate the employment relationship at any time, with or without notice, and for any reason not prohibited by applicable law. Upon a termination of your employment, you will not be eligible for any severance pay or other severance benefits, regardless of the reason for such termination of your employment. This letter agreement and the rights and obligations hereunder will be governed by and construed in accordance with the laws of the state of Texas without reference to any jurisdiction's principles of conflicts of law and reflects the parties entire understanding and agreement with regard to the foregoing.

We are excited about this opportunity to create value at Valaris together.

Sincerely,

/s/ _____ Elizabeth _____ D.
Leykum
Elizabeth D. Leykum
Chair of the Board of Directors

Acknowledged and Agreed

/s/ Anton Dibowitz

Anton Dibowitz



Exhibit 10.4

August 18, 2021

Darin Gibbins

Dear Darin,

On behalf of Valaris Limited ("**Valaris**"), I am pleased to provide you with this letter agreement (this "**Agreement**") memorializing the terms of your employment with Valaris or one of its subsidiaries to serve as Interim Chief Financial Officer of Valaris, effective as of September 3, 2021.

During the period that you serve as the Interim Chief Financial Officer of Valaris (the "**Term**"), as compensation for all services provided by you, you will receive an additional \$10,000 base salary per month, pro-rated for any partial month during the term and less applicable taxes and other withholdings, paid in accordance with the company's payroll practices in effect from time to time. Your remaining terms and conditions of employment will remain unchanged.

Although we intend that the Term will continue until a permanent successor is identified and appointed, your employment is not for a specific term and remains terminable at-will. This letter agreement and the rights and obligations hereunder will be governed by and construed in accordance with the laws of the state of Texas without reference to any jurisdiction's principles of conflicts of law and reflects the parties entire understanding and agreement with regard to the foregoing.

We look forward to continuing to work with you during this exciting period for Valaris.

Sincerely,

/s/ _____ Anton
Dibowitz
Anton Dibowitz
Director

Acknowledged and Agreed

/s/ Darin Gibbins _____
Darin Gibbins

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

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

Name of Grantee: _____ (the “Grantee”)

Target Number of PSUs Granted: _____

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

Date of Grant: _____ (the “Grant Date”)

Vesting Schedule: Between 0% and 150% of the target number of PSUs granted hereunder will become earned and vested based on the achievement of the performance objectives set forth in Appendix 1 attached hereto, subject to the Grantee’s continuous service as an employee of the Company Group through the date following the end of the Performance Period that the Committee certifies the final number of PSUs actually earned and vested hereunder (the “Vesting Date”).

Performance Period: _____

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

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

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

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

VALARIS LIMITED

Title:

By:

Name:

ACCEPTED AND AGREED

By:

Name:

Date:

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

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

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

PSU with respect to which the Dividend Equivalent is in tandem (i) is vested and paid, (ii) is forfeited, or (iii) expires.

- b) Settlement of PSUs. With respect to any PSUs earned hereunder, the Grantee shall become entitled to the number of Shares which have become vested as of the Vesting Date. Subject to Section 4 below, such Shares shall be issued to or on behalf of the Grantee in exchange for such vested PSUs on or prior to the 60th calendar day immediately following the Vesting Date, and if applicable, shall be subject to any further transfer or other restrictions as may be required by a securities law or other applicable law as determined by the Company.
 - c) Payment of Dividend Equivalents; Voting Rights. Payments with respect to any Dividend Equivalents subject to the Agreement shall accrue in a bookkeeping account of the Company and be paid, without interest, upon settlement of the associated PSU. All rights with respect to, or in connection with, the PSUs shall be exercisable during the Grantee's lifetime only by the Grantee. The Grantee shall not be entitled to any voting rights with respect to the PSUs.
 - d) Adjustments. As provided in the Plan, in the event of any change in the number of Shares issued and outstanding by reason of any share dividend or split, reverse share split, recapitalization, consolidation, combination or exchange of shares or similar corporate change or in the event of any extraordinary dividends, spin-off or similar reorganization, the number of PSUs granted under the Agreement and the applicable performance targets shall be proportionately increased or reduced, as applicable, so as to prevent the enlargement or dilution of the Grantee's rights and duties hereunder. The determination of the Committee regarding such adjustments shall be final and binding.
- 4) Accelerated Vesting and Forfeiture Events.
- a) Termination without Cause; Resignation for Good Reason; Retirement; Disability; Death. If the Grantee's continuous service is terminated (i) as a result of the Grantee's Retirement (as defined below) at least 12 months following the Grant Date or (ii) by the Company without Cause, by the Grantee for Good Reason (as defined below), or as a result of the Grantee's Disability or death at any time, then the Grantee shall vest following the completion of the Performance Period on the Vesting Date in a number of PSUs and tandem Dividend Equivalents equal to the sum of (1) the number of Share Price PSUs (as defined in Appendix 1) and tandem Dividend Equivalents that would have otherwise been earned hereunder through the date that is 60 days following the Grantee's termination date; (2) the final number of Relative ROCE PSUs (as defined in Appendix 1) and tandem Dividend Equivalents actually earned hereunder during the Performance Period; and (3) the number of Strategic Goal PSUs (as defined in Appendix 1) and tandem Dividend Equivalents earned hereunder for the applicable year of the Performance Period in which such termination date occurs as well as any previously completed year of the Performance Period, in each case of (1), (2) and (3) as if the Grantee's continuous service had not terminated, with such sum multiplied by a fraction, the numerator of which is the number of whole months of continuous service actually

completed by the Grantee during the Performance Period and the denominator of which is the number of whole months in the Performance Period. Settlement of such PSUs and tandem Dividend Equivalents shall not be accelerated and shall occur in accordance with Section 3 above.

As used herein, “Good Reason” has the meaning ascribed to such term in the Valaris Executive Severance Plan (as amended and restated as of April 30, 2021) (the “Severance Plan”); provided, however, that the Grantee expressly acknowledges and agrees that (A) Section 1.18(e) of the Severance Plan is hereby waived and of no further force and effect for any purpose on or after the Grant Date; and (B) the Grantee waives any right to claim “Good Reason” as a result of the terms of any equity grants, or the failure to receive any equity grants, in or before calendar year 2023, it being acknowledged and agreed that this Award and any other equity award made as of the Grant Date are intended to replace three years of annual equity grants from the Company.

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

- b) Termination Due to Cause; Violation of Restrictive Covenants. If the Grantee’s continuous service is terminated for Cause or the Grantee materially violates any of the Restrictive Covenants set forth in Section 5 hereof at any time prior to full settlement of this Award: (i) all then outstanding PSUs and tandem Dividend Equivalents, whether or not vested, shall be immediately forfeited and cancelled as of the date of such termination, and shall not vest or be paid in any respect, without the necessity of any notice or other further action; and (ii) the Grantee shall be obligated to return to the Company any Shares previously issued under this Award or the economic value of such Shares if no longer held by the Grantee within 30 days following receipt of written demand from the Board.
- c) Other Terminations. If the Grantee’s continuous service is terminated for any reason except as otherwise provided above in this Section 4, all of the then unvested PSUs shall be immediately forfeited and cancelled as of the date of such termination and shall not vest in any respect, without the necessity of any notice or other further action. All vested PSUs and associated Dividend Equivalents shall be settled as set forth in Section 3 above.
- d) Change in Control. In the event of a Change in Control (as defined below), the PSUs shall vest to the extent earned based on achievement of the performance objectives through the date prior to consummation of such Change in Control (or, if determined necessary in the sole discretion of the Committee to accurately determine such achievement for any performance objective, based on achievement through the end of the fiscal quarter that precedes the consummation of such Change in Control). Such vested PSUs shall be settled within 30 days after consummation of such Change in Control. As used herein, “Change in Control” means (i) a change in the ownership of the Company,

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

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

- e) Superseding Effect. For the avoidance of doubt, the Grantee expressly acknowledges and agrees that the terms and conditions of this Section 4 solely govern the treatment of this Award in connection with a Change in Control and/or any termination of the Grantee’s continuous service and therefore expressly supersede any provisions regarding the treatment of equity awards included in the Severance Plan, any individual change in control agreement, and any other plan, agreement, arrangement or policy with any member of the Company Group.
- 5) Restrictive Covenants. The Grantee acknowledges and agrees the Grantee shall continue to be bound by and obligated to comply with the terms of any restrictive covenant, intellectual property, or confidentiality agreement that the Grantee has executed in connection with the Grantee’s employment with the Company Group and the provisions of this Section 5 are in addition to, and not in lieu of such agreements. The restrictions contained in this Section 5 are a material condition to this Award and the Grantee acknowledges that he or she would not have received the Award absent his or her Agreement to be bound by the restrictions in this Section 5.
- a) Confidentiality. During the course of the Grantee’s employment with the Company, the Company has (i) disclosed or entrusted to the Grantee, and provided the Grantee with

access to, Confidential Information (as defined below), (ii) placed the Grantee in a position to develop business goodwill belonging to the Company Group, and (iii) disclosed or entrusted to the Grantee business opportunities to be developed for the Company Group. The Grantee acknowledges that the Confidential Information has been developed or acquired by the Company Group through the expenditure of substantial time, effort and money and provides the Company Group with an advantage over competitors who do not know or use the Confidential Information. The Grantee further acknowledges and agrees that the nature of the Confidential Information obtained during his or her continuous service would make it difficult, if not impossible, for the Grantee to perform in a similar capacity for a business competitive with the Company Group without disclosing or utilizing Confidential Information. The Grantee shall hold in confidence and not directly or indirectly disclose, use, copy or make lists of any Confidential Information, except to the extent necessary to carry out his or her duties on behalf of the Company Group. The Grantee agrees to give to the Company notice of any and all attempts to compel disclosure of any Confidential Information within one business day of being informed that such disclosure is being, or will be, compelled. Such written notice shall include a description of the Confidential Information to be disclosed, the court, government agency, or other forum through which the disclosure is sought, and the date by which the Confidential Information is to be disclosed, and shall contain a copy of the subpoena, order or other process used to compel disclosure. For the avoidance of doubt, the provisions of this subsection shall not apply to (A) any disclosure or use authorized by the Company or required by applicable law and (B) any information that is or becomes generally available to the public (other than as a result of the Grantee's unauthorized disclosure).

As used herein, "Confidential Information" means information (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) relating to the business, products, affairs and finances of the Company Group for the time being confidential to the Company Group, and trade secrets including, without limitation, technical data and know-how relating to the business of the Company Group or any of their respective business contacts, including in particular (by way of illustration only and without limitation): (i) information relating to the business of exploring, acquiring, developing, exploiting and disposing of oil and natural gas resources (regardless of when conceived, made, developed or acquired); (ii) information relating to the business or prospective business, current or projected plans or internal affairs of the Company Group; (iii) information relating to the current or prospective marketing or sales of any products or services of the Company Group, including non-public lists of customers' and suppliers' names, addresses and contacts; sales targets and statistics; market share and pricing information; marketing surveys; research and reports; non-public advertising and promotional material; strategies; and financial and sales data; (iv) information relating to any actual or prospective business strategies of the Company Group; (v) information relating to any actual acquisitions, investments or corporate opportunities or prospective acquisition, investment targets or corporate opportunities; (vi) know-how, trade secrets, unpublished information relating to the Company Group's intellectual property and to the creation, production or supply of any products or services of the Company Group;

(vii) information to which the Company Group owes an obligation of confidence to a third party (including, without limitation, customers, clients, suppliers, partners, joint venturers and professional advisors of the Company Group); and (viii) other commercial, financial or technical information relating to the business or prospective business of the Company Group, or to any past, current or prospective client, customer, supplier, licensee, officer or employee, agent of the Company Group, or any member or person interested in the share capital or assets of the Company Group, and any other person to whom the Company Group may provide or from whom they may receive information (whether marked confidential or not).

- b) *Non-Compete*. In exchange for this Award and the Company's provision to the Grantee of Confidential Information and to protect the Company Group's legitimate business interests, the Grantee hereby agrees that during and for a period of 12 months after his or her termination of continuous service with the Company Group (the "Restricted Period"), the Grantee will not, without the prior written consent of the Committee, directly or indirectly, provide services to, or own any interest in, manage, operate, control, or participate in the ownership, management, operation or control of, any entity (other than any member of the Company Group) that is primarily engaged in the business of providing contracted offshore drilling rigs in any country (or its territorial waters) in which the Company Group has offices, establishes offices or has definitive plans to locate an office (including as an employee or consultant); provided, however, that notwithstanding the foregoing, (i) the Grantee may own, directly or indirectly, solely as a passive investment, securities of any entity traded on a national securities exchange if the Grantee is not a controlling person of, or a member of a group which controls, such entity and does not, directly or indirectly, own 5% or more of any class of securities of such entity; and (ii) the Grantee shall not be prevented from providing services to, or owning any interest in, managing, operating, controlling, or participating in the ownership, management, operation or control of, any entity (other than any member of the Company Group) that is primarily engaged in the business of providing contracted offshore drilling rigs in any country (or its territorial waters) with which the Grantee was neither involved nor concerned during the 12 months prior to termination of his continuous service with the Company Group.
- c) *Non-Solicitation*. The Grantee hereby agrees that during the Restricted Period the Grantee will not, directly or indirectly, induce or attempt to induce, or cause or solicit any officer, manager, contractor or employee of the Company Group who was in a senior, sales, research and development or management capacity or who was otherwise in possession of Confidential Information and who reported to or had material contact with the Grantee during the 12 months prior to termination of his continuous service with the Company Group to cease their relationship with the Company Group or hire or engage any such officer, manager, contractor or employee of the Company Group, or in any way materially interfere with the relationship between the Company Group, on the one hand, and any such officer, manager, contractor or employee, on the other hand. Notwithstanding the foregoing, nothing in this Agreement shall prohibit the Grantee from making a general, public solicitation for employment, or using an employee recruiting or

search firm to conduct a search, that does not specifically target employees or consultants of the Company Group so long as no persons who were at any time during the 12- month period prior to the commencement of such solicitation, employees or consultants of the Company Group are hired or otherwise engaged as a result of such general solicitations or search firm efforts. The Grantee hereby agrees that during the Restricted Period, the Grantee will not, directly or indirectly, induce, or attempt to induce, cause or solicit any customer, client or supplier of the Company Group who was in a senior, sales, research and development or management capacity or who was otherwise in possession of Confidential Information and who reported to or had material contact with the Grantee during the 12 months prior to termination of his continuous service with the Company Group to reduce or cease doing business with the Company Group, or in any way knowingly interfere with the relationship between any customer, client or supplier of the Company Group, on the one hand, and any member of the Company Group, on the other hand.

- d) *No Disparaging Comments.* The Grantee shall refrain from any criticisms or disparaging comments about the Company Group; provided, however, that nothing in this Agreement shall apply to or restrict in any way the communication of information to any governmental law enforcement agency that is required by compulsion of law. The Grantee acknowledges that in executing this Agreement, he or she has knowingly, voluntarily, and intelligently waived any free speech, free association, free press or First Amendment to the United States Constitution (including, without limitation, any counterpart or similar provision or right under any other state constitution which may be deemed to apply) and rights to disclose, communicate, or publish disparaging information or comments concerning or related to the Company Group; provided, however, nothing in this Agreement shall be deemed to prevent the Grantee from testifying fully and truthfully in response to a subpoena from any court or from responding to an investigative inquiry from any governmental agency.
- 6) Grantee's Representations. Notwithstanding any provision hereof to the contrary, the Grantee hereby agrees and represents that the Grantee will not acquire any Shares, and that the Company will not be obligated to issue any Shares to the Grantee hereunder, if the issuance of such Shares constitutes a violation by the Grantee or the Company of any law or regulation of any governmental authority. Any determination in this regard that is made by the Committee, in good faith, shall be final and binding. The rights and obligations of the Company and the Grantee hereunder are subject to all applicable laws and regulations.
- 7) Tax Consequences; No Advice Regarding Grant. The vesting of the PSUs, the issuance of Shares with respect to vested PSUs, and the payment of Dividend Equivalents will likely have tax consequences. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding participation in the Plan or the acquisition or sale of the Shares that may be issued under the Agreement. THE GRANTEE IS HEREBY ADVISED TO CONSULT WITH THE GRANTEE'S OWN PERSONAL TAX, LEGAL AND FINANCIAL ADVISERS REGARDING THE GRANTEE'S

PARTICIPATION IN THE PLAN AND ANY TAX OR OTHER CONSEQUENCES ASSOCIATED WITH THIS AWARD.

- 8) Code Section 409A Compliance. This Agreement is intended to be interpreted and applied so that the payments and benefits set forth herein shall, as applicable, comply with or be exempt from the requirements of Code Section 409A, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to the fullest extent possible to reflect and implement such intent. Notwithstanding anything in this Agreement to the contrary and to the extent the payments and benefits set forth herein are subject to Code Section 409A, a termination of continuous service shall not be deemed to have occurred for purposes of any provision of this Agreement unless such termination is also a “separation from service” within the meaning of Code Section 409A. Notwithstanding any provision in this Agreement to the contrary, if on his or her termination of service, the Grantee is deemed to be a “specified employee” within the meaning of Code Section 409A, any payments or benefits due upon such termination of service that constitute a “deferral of compensation” within the meaning of Code Section 409A and which do not otherwise qualify under the exemptions under Treas. Reg. § 1.409A-1 (including without limitation, the short-term deferral exemption and the permitted payments under Treas. Reg. § 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided to the Grantee on the earlier of a date within 10 days after the date that is six (6) months after the Grantee’s separation from service or, if earlier, the date of the Grantee’s death.
- 9) UK Tax Matters. The Grantee agrees to indemnify the Company and its affiliates to the fullest extent permitted by law in respect of any secondary class 1 (employer) national insurance contributions (“Employer NICs”) arising in respect of the grant, vesting, settlement or exercise of the PSUs, the issuance, acquisition or disposal of common shares of the Company in respect of the PSUs and any other matter relating to the Award, the PSUs or such common shares (each a “Taxable Event”). At the request of the Company, the Grantee shall elect, to the extent permitted by law, and using a form approved by HM Revenue & Customs, that the whole or any part of the liability for Employer NICs arising as a result of a Taxable Event shall be transferred to the Grantee.
- 10) Data Privacy. The Grantee hereby acknowledges that the Grantee’s personal data as described in the Agreement and any other Award materials, may be collected, used and/or transferred in electronic or other form by and among, as applicable, the Company and its affiliates, for the exclusive purpose of implementing, administering and managing the Grantee’s participation in the Plan. The Grantee understands that the Company may hold certain personal information about the Grantee, including, but not limited to, the Grantee’s name, home address and telephone number, date of birth, social insurance number or other identification number, compensation, job title, any shares or directorships held in the Company or an affiliate, details of all Awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Grantee’s favor, for the exclusive purpose of implementing, administering and managing the Plan (individually and collectively, “Data”).

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

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

12) Miscellaneous.

- a) No Fractional Shares. All provisions of the Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded up to the next whole Share.
- b) No Employment Rights. No provision of the Agreement or the Plan shall be construed to give the Grantee any right to remain an employee of the Company Group, or to continue to provide services to the Company Group, or in any manner to affect the right of the Company to terminate the Grantee's Services at any time, with or without Cause.
- c) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal delivery, by telegram, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address (Attention: Corporate Secretary), and to the Grantee at his or her address indicated on the Company's records, or at such other address and number as a Party has previously designated by written notice given to the other Party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.
- d) Amendment, Termination and Waiver. The Agreement may be amended, modified, terminated or superseded; provided that any such action that materially impairs any rights

or materially increases any obligations under the Award with respect to the Grantee may only be made with the consent of the Grantee. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the Party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company who is not the Grantee. The failure of any Party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any Party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

- e) Severability. It is the desire of the Parties hereto that the Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of the Agreement. The Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.
- f) Governing Law; Jurisdiction. Except to the extent preempted by any applicable federal law, this Agreement will be construed and administered in accordance with the laws of Texas.
- g) Imposition of Other Requirements. The Company reserves the right to (i) impose other requirements regarding participation in the Plan, with respect to the Agreement and on any Shares acquired under the Plan, to the extent that the Company determines it is necessary or advisable in order to (A) comply with applicable laws, including, the country where the Grantee resides, or (B) facilitate the administration of the Plan, and (ii) require the Grantee to sign any additional agreements or undertakings that are reasonably necessary to accomplish the foregoing.
- h) The Grantee's Acknowledgment. The Grantee represents and acknowledges that (i) the Grantee is knowledgeable and sophisticated as to business matters, including the subject matter of the Agreement, (ii) the Grantee has read the Agreement and understands its terms and conditions, (iii) the Grantee has had ample opportunity to discuss the Agreement with the Grantee's legal counsel, if so desired, prior to execution of the Agreement, and (iv) no strict rules of construction shall apply for or against the drafter of the Agreement or any other Party.
- i) Survival of Certain Provisions. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of the Agreement or the termination of the Grantee's continuous service with the Company Group.

- j) Successors and Assigns. The Agreement shall bind, be enforceable by, and inure to the benefit of, the Parties and their permitted successors and assigns as determined under the terms of the Agreement and the Plan.
- k) Counterparts. The Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

Appendix 1

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

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

Name of Grantee: _____ (the “Grantee”)

Total Number of RSUs Granted: _____

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

Date of Grant: _____ (the “Grant Date”)

Vesting Schedule: Subject to the Grantee’s continuous service as an employee of the Company Group through each such date (each, a “Vesting Date”), the RSUs shall vest in three installments as follows: [_____] RSUs on the first anniversary of the Grant Date; [_____] RSUs on the second anniversary of the Grant Date; and [_____] RSUs on the third anniversary of the Grant Date.

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

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

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

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

VALARIS LIMITED

Title: By: Name: _____

ACCEPTED AND AGREED

By:
Name:
Date:

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

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

- 1) Grant of RSUs and Dividend Equivalents. Subject to the terms, conditions and restrictions set forth in the Plan and those specified herein, the Company hereby grants the number of Restricted Stock Units (“RSUs”) and tandem Dividend Equivalents specified in the Grant Notice to the Grantee (the RSUs together with the Dividend Equivalents are the “Award”). Subject to Section 3(d) hereof, each RSU represents an unsecured promise of the Company to issue to the Grantee (and accordingly a right of the Grantee to acquire) one common share of the Company, par value \$0.01 per share (“Share”) pursuant to the terms and conditions of the Plan and the Agreement. Each tandem Dividend Equivalent represents a right to receive cash payments equivalent to the amount of cash dividends declared and paid on one Share after the Grant Date and before the Dividend Equivalent expires. RSUs and Dividend Equivalents are used solely as units of measurement, and are not Shares; the Grantee is not, and has no rights as, a shareholder of the Company by virtue of receiving the Award unless and until the RSUs are converted to Shares and transferred to the Grantee, as set forth herein.
 - 2) Transfer Restrictions. The Grantee shall not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, “Transfer”) any RSUs or Dividend Equivalents granted hereunder other than by will or by the laws of descent and distribution. Any purported Transfer of RSUs or Dividend Equivalents in breach of the Agreement shall be void and ineffective, and shall not operate to Transfer any interest or title in the purported transferee.
 - 3) Vesting and Settlement of RSUs and Dividend Equivalents.
 - a) Vesting of RSUs and Dividend Equivalents. Subject to these Terms and Conditions, the Grantee’s interest in the RSUs and tandem Dividend Equivalents granted hereunder shall vest on each Vesting Date set out in the Grant Notice, provided that the Grantee is still an employee of the Company Group and has continuously been an employee of the Company Group from the Grant Date through the applicable Vesting Date, except as provided in Section 4. All RSUs that do not become vested as of the end of the vesting period shall be forfeited. Any Dividend Equivalents subject to the Agreement shall expire at the time the RSU with respect to which the Dividend Equivalent is in tandem (i) is vested and paid, (ii) is forfeited, or (iii) expires.
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- b) Deferred Settlement of RSUs. With respect to any RSUs that vest hereunder, the Grantee shall not be entitled to the number of Shares which have become vested as of each Vesting Date until the time specified for issuance in this Section 3(b). Except as expressly provided herein and subject to Section 4 below, Shares shall be issued to or on behalf of the Grantee in exchange for all vested RSUs within 30 calendar days following the third anniversary of the Grant Date, and if applicable, shall be subject to any further transfer or other restrictions as may be required by a securities law or other applicable law as determined by the Company. Notwithstanding the foregoing, in accordance with Treasury Regulation § 1.409A-3(j)(4)(vi), a portion of the RSUs that have vested hereunder may be accelerated and settled each calendar year that includes a Vesting Date in an amount necessary to satisfy any applicable payroll or employment taxes then due with respect to such vested RSUs as well as any income, withholding, employment or payroll taxes due as a result of such accelerated settlement; provided always that such settlement shall entail the issue of common shares of the Company and not a cash or other equivalent.
 - c) Payment of Dividend Equivalents; Voting Rights. Payments with respect to any Dividend Equivalents subject to the Agreement shall accrue in a bookkeeping account of the Company and be paid, without interest, upon settlement of the associated RSU. All rights with respect to, or in connection with, the RSUs shall be exercisable during the Grantee's lifetime only by the Grantee. The Grantee shall not be entitled to any voting rights with respect to the RSUs.
 - d) Adjustments. As provided in the Plan, in the event of any change in the number of Shares issued and outstanding by reason of any share dividend or split, reverse share split, recapitalization, consolidation, combination or exchange of shares or similar corporate change or in the event of any extraordinary dividends, spin-off or similar reorganization, the number of RSUs granted under the Agreement shall be proportionately increased or reduced, as applicable, so as to prevent the enlargement or dilution of the Grantee's rights and duties hereunder. The determination of the Committee regarding such adjustments shall be final and binding.
- 4) Accelerated Vesting and Forfeiture Events.
- a) Termination without Cause; Resignation for Good Reason; Disability. If the Grantee's continuous service is terminated by the Company without Cause, by the Grantee for Good Reason (as defined below) or as a result of the Grantee's Disability, the Grantee shall vest in a number of RSUs and tandem Dividend Equivalents equal to (i) the total number of RSUs and tandem Dividend Equivalents granted hereunder multiplied by a fraction, the numerator of which is the number of whole months of continuous service actually completed by the Grantee on and after the Grant Date and the denominator of which is 36, less (ii) any RSUs and tandem Dividend Equivalents granted hereunder that had previously vested. Settlement of such RSUs and tandem Dividend Equivalents shall not be accelerated and shall occur in accordance with Section 3 above.

As used herein, “Good Reason” has the meaning ascribed to such term in the Valaris Executive Severance Plan (as amended and restated as of April 30, 2021) (the “Severance Plan”); provided, however, that the Grantee expressly acknowledges and agrees that (A) Section 1.18(e) of the Severance Plan is hereby waived and of no further force and effect for any purpose on or after the Grant Date; and (B) the Grantee waives any right to claim “Good Reason” as a result of the terms of any equity grants, or the failure to receive any equity grants, in or before calendar year 2023, it being acknowledged and agreed that this Award and any other equity award made as of the Grant Date are intended to replace three years of annual equity grants from the Company.

- b) Retirement; Death. If the Grantee’s continuous service is terminated as a result of the Grantee’s Retirement at least 12 months following the Grant Date or as a result of the Grantee’s death at any time, the Grantee shall vest in a number of RSUs and tandem Dividend Equivalents equal to (i) the total number of RSUs and tandem Dividend Equivalents granted hereunder multiplied by a fraction, the numerator of which is the number of whole months of continuous service actually completed by the Grantee on and after the Grant Date and the denominator of which is 36, less (ii) any RSUs and tandem Dividend Equivalents granted hereunder that had previously vested. Settlement of all vested RSUs and tandem Dividend Equivalents shall be accelerated with underlying Shares issued to or on behalf of the Grantee in exchange for such vested RSUs on or prior to the 60th calendar day immediately following the date of death or Retirement, and if applicable, subject to any further transfer or other restrictions as may be required by a securities law or other applicable law as determined by the Company.

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

- c) Termination Due to Cause; Violation of Restrictive Covenants. If the Grantee’s continuous service is terminated for Cause or the Grantee materially violates any of the Restrictive Covenants set forth in Section 5 hereof at any time prior to full settlement of this Award: (i) all of the then outstanding RSUs and tandem Dividend Equivalents, whether or not vested, shall be immediately forfeited and cancelled as of the date of such termination, and shall not vest or be paid in any respect, without the necessity of any notice or other further action; and (ii) the Grantee shall be obligated to return to the Company any Shares previously issued under this Award or the economic value of such Shares if no longer held by the Grantee within 30 days following receipt of written demand from the Board.
- d) Other Terminations. If the Grantee’s continuous service is terminated for any reason except as otherwise provided above in this Section 4, all of the then unvested RSUs shall be immediately forfeited and cancelled as of the date of such termination and shall not vest in any respect, without the necessity of any notice or other further action. All vested

RSUs and associated Dividend Equivalents shall be settled as set forth in Section 3 above.

- e) Change in Control. In the event of a Change in Control (as defined below), all then unvested RSUs shall immediately vest and all RSUs shall be settled either by the acquiror as set forth in the agreement governing the Change in Control within 30 days after consummation of such Change in Control or, absent an agreement to the contrary in the agreement governing the Change in Control, by the Company through the issuance of Shares immediately prior to the consummation of such Change in Control. As used herein, “Change in Control” means (i) a change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group, acquires ownership of Shares that, together with Shares held by such person or persons acting in concert, constitutes more than fifty percent (50%) of the total voting power of the Shares; (ii) a majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of appointment or election; or (iii) a sale of all or substantially all of the assets of Company. Additionally, with respect to any RSUs and Dividend Equivalents that constitute a deferral of compensation under Section 409A of the Code, any such transaction must also constitute a “change in control event” within the meaning of Treasury Regulation §1.409A-3(i)(5).

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

- f) Superseding Effect. For the avoidance of doubt, the Grantee expressly acknowledges and agrees that the terms and conditions of this Section 4 solely govern the treatment of this Award in connection with a Change in Control and/or any termination of the Grantee’s continuous service and therefore expressly supersede any provisions regarding the treatment of equity awards included in the Severance Plan, any individual change in control agreement, and any other plan, agreement, arrangement or policy with any member of the Company Group.

5) Restrictive Covenants. The Grantee acknowledges and agrees the Grantee shall continue to be bound by and obligated to comply with the terms of any restrictive covenant, intellectual property, or confidentiality agreement that the Grantee has executed in connection with the Grantee's employment with the Company Group and the provisions of this Section 5 are in addition to, and not in lieu of such agreements. The restrictions contained in this Section 5 are a material condition to this Award and the Grantee acknowledges that he or she would not have received the Award absent his or her Agreement to be bound by the restrictions in this Section 5.

a) *Confidentiality*. During the course of the Grantee's employment with the Company, the Company has (i) disclosed or entrusted to the Grantee, and provided the Grantee with access to, Confidential Information (as defined below), (ii) placed the Grantee in a position to develop business goodwill belonging to the Company Group, and (iii) disclosed or entrusted to the Grantee business opportunities to be developed for the Company Group. The Grantee acknowledges that the Confidential Information has been developed or acquired by the Company Group through the expenditure of substantial time, effort and money and provides the Company Group with an advantage over competitors who do not know or use the Confidential Information. The Grantee further acknowledges and agrees that the nature of the Confidential Information obtained during his or her continuous service would make it difficult, if not impossible, for the Grantee to perform in a similar capacity for a business competitive with the Company Group without disclosing or utilizing Confidential Information. The Grantee shall hold in confidence and not directly or indirectly disclose, use, copy or make lists of any Confidential Information, except to the extent necessary to carry out his or her duties on behalf of the Company Group. The Grantee agrees to give to the Company notice of any and all attempts to compel disclosure of any Confidential Information within one business day of being informed that such disclosure is being, or will be, compelled. Such written notice shall include a description of the Confidential Information to be disclosed, the court, government agency, or other forum through which the disclosure is sought, and the date by which the Confidential Information is to be disclosed, and shall contain a copy of the subpoena, order or other process used to compel disclosure. For the avoidance of doubt, the provisions of this subsection shall not apply to (A) any disclosure or use authorized by the Company or required by applicable law and (B) any information that is or becomes generally available to the public (other than as a result of the Grantee's unauthorized disclosure).

As used herein, "Confidential Information" means information (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) relating to the business, products, affairs and finances of the Company Group for the time being confidential to the Company Group, and trade secrets including, without limitation, technical data and know-how relating to the business of the Company Group or any of their respective business contacts, including in particular (by way of illustration only and without limitation): (i) information relating to the business of exploring, acquiring, developing, exploiting and disposing of oil and natural gas resources (regardless of when conceived, made, developed or acquired); (ii) information relating to the business or

prospective business, current or projected plans or internal affairs of the Company Group; (iii) information relating to the current or prospective marketing or sales of any products or services of the Company Group, including non-public lists of customers' and suppliers' names, addresses and contacts; sales targets and statistics; market share and pricing information; marketing surveys; research and reports; non-public advertising and promotional material; strategies; and financial and sales data; (iv) information relating to any actual or prospective business strategies of the Company Group; (v) information relating to any actual acquisitions, investments or corporate opportunities or prospective acquisition, investment targets or corporate opportunities; (vi) know-how, trade secrets, unpublished information relating to the Company Group's intellectual property and to the creation, production or supply of any products or services of the Company Group; (vii) information to which the Company Group owes an obligation of confidence to a third party (including, without limitation, customers, clients, suppliers, partners, joint venturers and professional advisors of the Company Group); and (viii) other commercial, financial or technical information relating to the business or prospective business of the Company Group, or to any past, current or prospective client, customer, supplier, licensee, officer or employee, agent of the Company Group, or any member or person interested in the share capital or assets of the Company Group, and any other person to whom the Company Group may provide or from whom they may receive information (whether marked confidential or not).

- b) *Non-Compete*. In exchange for this Award and the Company's provision to the Grantee of Confidential Information and to protect the Company Group's legitimate business interests, the Grantee hereby agrees that during and for a period of 12 months after his or her termination of continuous service with the Company Group (the "Restricted Period"), the Grantee will not, without the prior written consent of the Committee, directly or indirectly, provide services to, or own any interest in, manage, operate, control, or participate in the ownership, management, operation or control of, any entity (other than any member of the Company Group) that is primarily engaged in the business of providing contracted offshore drilling rigs in any country (or its territorial waters) in which the Company Group has offices, establishes offices or has definitive plans to locate an office (including as an employee or consultant); provided, however, that notwithstanding the foregoing, (i) the Grantee may own, directly or indirectly, solely as a passive investment, securities of any entity traded on a national securities exchange if the Grantee is not a controlling person of, or a member of a group which controls, such entity and does not, directly or indirectly, own 5% or more of any class of securities of such entity; and (ii) the Grantee shall not be prevented from providing services to, or owning any interest in, managing, operating, controlling, or participating in the ownership, management, operation or control of, any entity (other than any member of the Company Group) that is primarily engaged in the business of providing contracted offshore drilling rigs in any country (or its territorial waters) with which the Grantee was neither involved nor concerned during the 12 months prior to termination of his continuous service with the Company Group.

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

regulation of any governmental authority. Any determination in this regard that is made by the Committee, in good faith, shall be final and binding. The rights and obligations of the Company and the Grantee hereunder are subject to all applicable laws and regulations.

- 7) Tax Consequences; No Advice Regarding Grant. The vesting of the RSUs, the issuance of Shares with respect to vested RSUs, and the payment of Dividend Equivalents will likely have tax consequences. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding participation in the Plan or the acquisition or sale of the Shares that may be issued under the Agreement. THE GRANTEE IS HEREBY ADVISED TO CONSULT WITH THE GRANTEE'S OWN PERSONAL TAX, LEGAL AND FINANCIAL ADVISERS REGARDING THE GRANTEE'S PARTICIPATION IN THE PLAN AND ANY TAX OR OTHER CONSEQUENCES ASSOCIATED WITH THIS AWARD.
- 8) Code Section 409A Compliance. This Agreement is intended to be interpreted and applied so that the payments and benefits set forth herein shall, as applicable, comply with or be exempt from the requirements of Code Section 409A, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to the fullest extent possible to reflect and implement such intent. Notwithstanding anything in this Agreement to the contrary and to the extent the payments and benefits set forth herein are subject to Code Section 409A, a termination of continuous service shall not be deemed to have occurred for purposes of any provision of this Agreement unless such termination is also a "separation from service" within the meaning of Code Section 409A. Notwithstanding any provision in this Agreement to the contrary, if on his or her termination of service, the Grantee is deemed to be a "specified employee" within the meaning of Code Section 409A, any payments or benefits due upon such termination of service that constitute a "deferral of compensation" within the meaning of Code Section 409A and which do not otherwise qualify under the exemptions under Treas. Reg. § 1.409A-1 (including without limitation, the short-term deferral exemption and the permitted payments under Treas. Reg. § 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided to the Grantee on the earlier of a date within 10 days after the date that is six (6) months after the Grantee's separation from service or, if earlier, the date of the Grantee's death.
- 9) UK Tax Matters. The Grantee agrees to indemnify the Company and its affiliates to the fullest extent permitted by law in respect of any secondary class 1 (employer) national insurance contributions ("Employer NICs") arising in respect of the grant, vesting, settlement or exercise of the RSUs, the issuance, acquisition or disposal of common shares of the Company in respect of the RSUs and any other matter relating to the Award, the RSUs or such common shares (each a "Taxable Event"). At the request of the Company, the Grantee shall elect, to the extent permitted by law, and using a form approved by HM Revenue & Customs, that the whole or any part of the liability for Employer NICs arising as a result of a Taxable Event shall be transferred to the Grantee.
- 10) Data Privacy. The Grantee hereby acknowledges that the Grantee's personal data as described in the Agreement and any other Award materials, may be collected, used and/or

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

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

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

12) Miscellaneous.

- a) No Fractional Shares. All provisions of the Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded up to the next whole Share.
- b) No Employment Rights. No provision of the Agreement or the Plan shall be construed to give the Grantee any right to remain an employee of the Company Group, or to continue to provide services to the Company Group, or in any manner to affect the right of the Company to terminate the Grantee's Services at any time, with or without Cause.
- c) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal delivery, by telegram, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address (Attention: Corporate Secretary), and to the Grantee at his or her

address indicated on the Company's records, or at such other address and number as a Party has previously designated by written notice given to the other Party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.

- d) Amendment, Termination and Waiver. The Agreement may be amended, modified, terminated or superseded; provided that any such action that materially impairs any rights or materially increases any obligations under the Award with respect to the Grantee may only be made with the consent of the Grantee. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the Party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company who is not the Grantee. The failure of any Party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any Party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.
- e) Severability. It is the desire of the Parties hereto that the Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of the Agreement. The Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.
- f) Governing Law; Jurisdiction. Except to the extent preempted by any applicable federal law, this Agreement will be construed and administered in accordance with the laws of Texas.
- g) Imposition of Other Requirements. The Company reserves the right to (i) impose other requirements regarding participation in the Plan, with respect to the Agreement and on any Shares acquired under the Plan, to the extent that the Company determines it is necessary or advisable in order to (A) comply with applicable laws, including, the country where the Grantee resides, or (B) facilitate the administration of the Plan, and (ii) require the Grantee to sign any additional agreements or undertakings that are reasonably necessary to accomplish the foregoing.

- h) The Grantee's Acknowledgment. The Grantee represents and acknowledges that (i) the Grantee is knowledgeable and sophisticated as to business matters, including the subject matter of the Agreement, (ii) the Grantee has read the Agreement and understands its terms and conditions, (iii) the Grantee has had ample opportunity to discuss the Agreement with the Grantee's legal counsel, if so desired, prior to execution of the Agreement, and (iv) no strict rules of construction shall apply for or against the drafter of the Agreement or any other Party.
- i) Survival of Certain Provisions. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of the Agreement or the termination of the Grantee's continuous service with the Company Group.
- j) Successors and Assigns. The Agreement shall bind, be enforceable by, and inure to the benefit of, the Parties and their permitted successors and assigns as determined under the terms of the Agreement and the Plan.
- k) Counterparts. The Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

VALARIS LIMITED
2021 MANAGEMENT INCENTIVE PLAN
NON-EMPLOYEE DIRECTOR
NOTICE AND ACCEPTANCE OF RESTRICTED STOCK UNIT AWARD

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

Name of Grantee: _____ (the “Grantee”)

Total Number of RSUs Granted: _____

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

Date of Grant: _____

Vesting Schedule: Subject to the Grantee’s continuous service as a director of the Company through such date (the “Vesting Date”), the RSUs shall vest in full on the earlier of (i) the first anniversary of the Grant Date or (ii) the next Annual Meeting of the Company’s Shareholders that follows the Grant Date.

The terms of the Award referenced herein are subject to the provisions of this Notice and Acceptance of Restricted Stock Unit Award (the “Grant Notice”), the attached Non-Employee Director Restricted Stock Unit Award Agreement Terms and Conditions (including any applicable country-specific provisions contained in any Appendix attached thereto) (the “Terms and Conditions,” and together with this Grant Notice, the “Agreement”), and the Plan. Capitalized terms not otherwise defined in the Agreement shall have the meanings given to them given to them in the Plan.

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

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

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

ACCEPTED AND AGREED

By: _____

Name: _____

Date: _____

VALARIS LIMITED
2021 MANAGEMENT INCENTIVE PLAN
NON-EMPLOYEE DIRECTOR RESTRICTED STOCK UNIT AWARD
TERMS AND CONDITIONS

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

- 1) Grant of RSUs and Dividend Equivalents. Subject to the terms, conditions and restrictions set forth in the Plan and those specified herein, the Company hereby grants the number of Restricted Stock Units (“RSUs”) and tandem Dividend Equivalents specified in the Grant Notice to the Grantee (the RSUs together with the Dividend Equivalents are the “Award”). Subject to Section 3(e) hereof, each RSU represents an unsecured promise of the Company to deliver one common share of the Company, par value \$0.01 per share (“Share”) to the Grantee pursuant to the terms and conditions of the Plan and the Agreement. Each tandem Dividend Equivalent represents a right to receive cash payments equivalent to the amount of cash dividends declared and paid on one Share after the Grant Date and before the Dividend Equivalent expires. RSUs and Dividend Equivalents are used solely as units of measurement, and are not Shares; the Grantee is not, and has no rights as, a shareholder of the Company by virtue of receiving the Award unless and until the RSUs are converted to Shares and transferred to the Grantee, as set forth herein.
 - 2) Transfer Restrictions. The Grantee shall not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, “Transfer”) any RSUs or Dividend Equivalents granted hereunder other than by will or by the laws of descent and distribution. Any purported Transfer of RSUs or Dividend Equivalents in breach of the Agreement shall be void and ineffective, and shall not operate to Transfer any interest or title in the purported transferee.
 - 3) Vesting and Settlement of RSUs and Dividend Equivalents.
 - a) Vesting of RSUs and Dividend Equivalents. Subject to these terms and conditions, the Grantee’s interest in the RSUs and tandem Dividend Equivalents granted hereunder shall vest on each vesting date set out in the Grant Notice (the “Vesting Date”), provided that the Grantee is still a director of the Company and has continuously been a director of the Company from the Grant Date through the Vesting Date, except as provided in Section 4. All RSUs that do not become vested as of the end of the vesting period shall be forfeited. Any Dividend Equivalents subject to the Agreement shall expire at the time the RSU with respect to which the Dividend Equivalent is in tandem (i) is vested and paid or, to the extent permitted by the Company deferred, (ii) is forfeited, or (iii) expires.
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- b) Settlement of RSUs; No Deferral Election. With respect to any RSUs that vest hereunder that are not subject to a Deferral Election (as defined below), the Grantee shall become entitled to the number of Shares which have become vested as of each Vesting Date. Subject to Section 4 below, such Shares shall be delivered to or on behalf of the Grantee in exchange for vested RSUs on or prior to the 60th day immediately following the Vesting Date, and if applicable, shall be subject to any further transfer or other restrictions as may be required by a securities law or other applicable law as determined by the Company.
 - c) Settlement of RSUs; Deferral Election in Effect. With respect to any RSUs that vest hereunder that are subject to a validly made election to defer the settlement thereof on a form provided by the Company (a “Deferral Election”), the Grantee shall become entitled to the number of Shares which have become vested as of each Vesting Date; however, subject to Section 4 below, such Shares shall be delivered to or on behalf of the Grantee in exchange for vested RSUs within 30 calendar days of the designated payment date set forth in the Deferral Election, and if applicable, shall be subject to any further transfer or other restrictions as may be required by a securities law or other applicable law as determined by the Company.
 - d) Payment of Dividend Equivalents; Voting Rights. Payments with respect to any Dividend Equivalents subject to the Agreement shall accrue in a bookkeeping account of the Company and be paid, without interest, upon settlement of the associated RSU. All rights with respect to, or in connection with, the RSUs shall be exercisable during the Grantee’s lifetime only by the Grantee. The Grantee shall not be entitled to any voting rights with respect to the RSUs.
 - e) Adjustments. As provided in the Plan, in the event of any change in the number of Shares issued and outstanding by reason of any share dividend or split, reverse share split, recapitalization, consolidation, combination or exchange of shares or similar corporate change, then the number of RSUs granted under the Agreement shall be proportionately increased or reduced, as applicable, so as to prevent the enlargement or dilution of the Grantee’s rights and duties hereunder. The determination of the Committee regarding such adjustments shall be final and binding.
- 4) Accelerated Vesting and Forfeiture Events.
- a) Change in Control. In the event of a Change in Control (as defined below), all then unvested RSUs shall immediately vest and be settled within 30 days after consummation of such Change in Control. As used herein, “Change in Control” means (i) a change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group, acquires ownership of Shares that, together with Shares held by such person or persons acting in concert, constitutes more than fifty percent (50%) of the total voting power of the Shares; (ii) a majority of the members of the Board is replaced during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of appointment or election; or (iii) a sale of all or substantially all of the assets

of Company. Additionally, with respect to any RSUs and Dividend Equivalents that constitute a deferral of compensation under Section 409A of the Code, any such transaction must also constitute a “change in control event” within the meaning of Treasury Regulation §1.409A-3(i)(5).

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

- b) Termination Following Corporate Transaction. If the Grantee’s directorship is terminated in connection with a merger, consolidation, business combination or other similar corporate transaction that is not a Change in Control, all then unvested RSUs shall immediately vest in full. Such date shall be the “Vesting Date” and the RSUs shall be settled as set forth in Section 3(b) or 3(c), as applicable.
- c) Termination Due to Cause; Termination to Join a Competitor. If the Grantee’s directorship is terminated for Cause (as defined in the Plan) or the director terminates his or her service on the Board to join a competitor of the Company (as determined in the sole discretion of the Committee), all of the then outstanding RSUs and tandem Dividend Equivalents, whether or not vested, shall be immediately forfeited and cancelled as of such termination of directorship date, and shall not vest or be paid in any respect, without the necessity of any notice or other further action.
- d) Other Terminations. If the Grantee’s directorship is terminated for any reason except as otherwise provided above in this Section 4, all of the then unvested RSUs shall be immediately forfeited and cancelled as of the termination of directorship date, and shall not vest in any respect, without the necessity of any notice or other further action. All vested RSUs and associated Dividend Equivalents shall be settled as set forth in Section 3 above.
- 5) Grantee’s Representations. Notwithstanding any provision hereof to the contrary, the Grantee hereby agrees and represents that the Grantee will not acquire any Shares, and that the Company will not be obligated to issue any Shares to the Grantee hereunder, if the issuance of such Shares constitutes a violation by the Grantee or the Company of any law or regulation of any governmental authority. Any determination in this regard that is made by

the Committee, in good faith, shall be final and binding. The rights and obligations of the Company and the Grantee hereunder are subject to all applicable laws and regulations.

- 6) Tax Consequences; No Advice Regarding Grant. The vesting of the RSUs, the issuance of Shares with respect to vested RSUs, and the payment of Dividend Equivalents will likely have tax consequences. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding participation in the Plan or the acquisition or sale of the Shares that may be issued under the Agreement. THE GRANTEE IS HEREBY ADVISED TO CONSULT WITH THE GRANTEE'S OWN PERSONAL TAX, LEGAL AND FINANCIAL ADVISERS REGARDING THE GRANTEE'S PARTICIPATION IN THE PLAN AND ANY TAX OR OTHER CONSEQUENCES ASSOCIATED WITH THIS AWARD.
- 7) Code Section 409A Compliance. This Agreement is intended to be interpreted and applied so that the payments and benefits set forth herein shall, as applicable, comply with or are exempt from the requirements of Code Section 409A, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to the fullest extent possible to reflect and implement such intent. Notwithstanding anything in this Agreement to the contrary and to the extent the payments and benefits set forth herein are subject to Code Section 409A, a termination of service shall not be deemed to have occurred for purposes of any provision of this Agreement unless such termination is also a "separation from service" within the meaning of Code Section 409A. Notwithstanding any provision in this Agreement to the contrary, if on his or her termination of service, the Grantee is deemed to be a "specified employee" within the meaning of Code Section 409A, any payments or benefits due upon such termination of service that constitute a "deferral of compensation" within the meaning of Code Section 409A and which do not otherwise qualify under the exemptions under Treas. Reg. § 1.409A-1 (including without limitation, the short-term deferral exemption and the permitted payments under Treas. Reg. § 1.409A-1(b)(9)(iii)(A)), shall be delayed and paid or provided to the Grantee on the earlier of a date within 10 days after the date that is six (6) months after the Grantee's separation from service or, if earlier, the date of the Grantee's death.
- 8) Data Privacy. The Grantee hereby acknowledges that the Grantee's personal data as described in the Agreement and any other Award materials, may be collected, used and/or transferred in electronic or other form by and among, as applicable, the Company and its affiliates, for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that the Company may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, compensation, job title, any shares or directorships held in the Company or an affiliate, details of all Awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan (individually and collectively, "Data").

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

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

10) Miscellaneous.

- a) No Fractional Shares. All provisions of the Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded up to the next whole Share.
- b) No Directorship Rights. No provision of the Agreement or the Plan shall be construed to give the Grantee any right to remain a director of the Company, or to continue to provide services as a director, or in any manner to affect the right of the Board or the Company's shareholders to terminate the Grantee's Services at any time, with or without Cause.
- c) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal delivery, by telegram, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address (Attention: Corporate Secretary), and to the Grantee at his address indicated on the Company's records, or at such other address and number as a Party has previously designated by written notice given to the other Party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.
- d) Amendment, Termination and Waiver. The Agreement may be amended, modified, terminated or superseded; provided that any such action that materially impairs any rights

or materially increases any obligations under the Award with respect to the Grantee may only be made with the consent of the Grantee. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the Party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company who is not the Grantee. The failure of any Party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any Party of any term or condition herein, or the breach thereof, in one or more instances shall be deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

- e) Severability. It is the desire of the Parties hereto that the Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of the Agreement. The Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.
- f) Governing Law; Jurisdiction. Except to the extent preempted by any applicable federal law, the Plan will be construed and administered in accordance with the laws of Texas.
- g) Imposition of Other Requirements. The Company reserves the right to (i) impose other requirements regarding participation in the Plan, with respect to the Agreement and on any Shares acquired under the Plan, to the extent that the Company determines it is necessary or advisable in order to (A) comply with applicable laws, including, the country where the Grantee resides, or (B) facilitate the administration of the Plan, and (ii) require the Grantee to sign any additional agreements or undertakings that are reasonably necessary to accomplish the foregoing.
- h) The Grantee's Acknowledgment. The Grantee represents and acknowledges that (i) the Grantee is knowledgeable and sophisticated as to business matters, including the subject matter of the Agreement, (ii) the Grantee has read the Agreement and understands its terms and conditions, (iii) the Grantee has had ample opportunity to discuss the Agreement with the Grantee's legal counsel, if so desired, prior to execution of the Agreement, and (iv) no strict rules of construction shall apply for or against the drafter of the Agreement or any other Party.
- i) Survival of Certain Provisions. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of the Agreement or the termination of the Grantee's directorship.

- j) Successors and Assigns. The Agreement shall bind, be enforceable by, and inure to the benefit of, the Parties and their permitted successors and assigns as determined under the terms of the Agreement and the Plan.
- k) Counterparts. The Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

CERTIFICATION

I, Anton Dibowitz, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending September 30, 2021 of Valaris Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - 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.

Dated: November 2, 2021

/s/ Anton Dibowitz

Anton Dibowitz
Interim President and Chief Executive
Officer

CERTIFICATION

I, Darin Gibbins, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending September 30, 2021 of Valaris Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - 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.

Dated: November 2, 2021

/s/ Darin Gibbins

Darin Gibbins
Interim Chief Financial Officer and
VP — Investor Relations & Treasurer
(principal financial officer)

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

In connection with the Quarterly Report of Valaris Limited (the "Company") on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anton Dibowitz, Interim President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that, to my knowledge:

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

/s/ Anton Dibowitz

Anton Dibowitz

Interim President and Chief Executive Officer

November 2, 2021

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

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

In connection with the Quarterly Report of Valaris Limited (the "Company") on Form 10-Q for the period ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darin Gibbins, Interim Chief Financial Officer and VP — Investor Relations & Treasurer (principal financial officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that, to my knowledge:

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

/s/ Darin Gibbins

Darin Gibbins
Interim Chief Financial Officer and VP — Investor
Relations & Treasurer
(principal financial officer)
November 2, 2021

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