PARATUS ENERGY SERVICES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

Paratus Energy Services Ltd.

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To the Board of Directors of Paratus Energy Services Ltd.

Independent Auditor’s Report

Opinion

We have audited the consolidated financial statements of Paratus Energy Services Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated statement of operations, the consolidated statement of other comprehensive income (loss), the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, including material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - comparative information

We draw attention to Note 1 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative information

The consolidated financial statements of Paratus Energy Services Ltd. and subsidiaries as at and for the years ended December 31, 2021, excluding the adjustments described in Note 1 to the consolidated financial statements were audited by another auditor in accordance with auditing standards generally accepted in the United States of America, who expressed an unmodified opinion on those financial statements on March 31, 2023.

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo, Alta, Arendal, Bergen, Bodø, Drammen, Elverum, Finnsnes, Hamar, Haugesund, Knarvik, Kristiansand, Mo i Rana, Molde, Sandefjord, Stavanger, Stord, Straume, Tromsø, Trondheim, Tynset, Ulsteinvik, Ålesund

As part of our audit of the consolidated financial statements as at and for the year ended December 31, 2022, we audited the adjustments described in Note 1 that were applied to restate the comparative information presented as at and for the year ended December 31, 2021. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2021 or January 1, 2021 (not presented herein) other than with respect to the adjustments described in Note 1 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 1 are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, January 24, 2024
KPMG AS

John Thomas Sørhaug
State Authorized Public Accountant-Norway

Paratus Energy Services Ltd.
CONSOLIDATED STATEMENTS OF OPERATIONS
for the year ended December 31, 2022 and restated December 31, 2021

(In $ millions, except per share data)	Note	December 31, 2022	Restated** December 31, 2021
Operating revenues			
Contract revenues		148	29
Total operating revenues		**148**	**29**
Operating expenses			
Vessel and rig operating expenses	*	(89)	(15)
Depreciation	9	(15)	(2)
Selling, general and administrative expenses	*	(17)	(2)
Expected credit gains/(losses)	4	21	—
Total operating expenses		**(100)**	**(19)**
Operating income		**48**	**10**
Financial and other items			
Interest income	*	3	18
Interest expense	*	(91)	(77)
Share in results from associated companies		47	17
Loss on debt extinguishment		(12)	—
Other financial items		(10)	40
Total financial and other items		**(63)**	**(2)**
(Loss)/income before income taxes		**(15)**	**8**
Income tax (expense)/benefit	7	(21)	4
Net (loss)/income		**(36)**	**12**

** Includes transactions with related parties. Refer to Note 18 – Related party transactions*
*** Refer to Note 1- General information*

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Paratus Energy Services Ltd.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

for the year ended December 31, 2022 and restated December 31, 2021

(In $ millions)	**December 31, 2022**	**Restated* December 31, 2021**
Net (loss)/income	**(36)**	**12**
Other comprehensive income/(loss), net of tax:		
Share in results from associated companies	—	6
Change in fair value of debt component of Archer convertible bond	3	3
Total other comprehensive income/(loss) for the year	**(33)**	**21**

See accompanying notes that are an integral part of these Consolidated Financial Statements.

** Refer to Note 1 - General information*

Paratus Energy Services Ltd.
CONSOLIDATED BALANCE SHEETS
as at December 31, 2022 and restated December 31, 2021

(In $ millions)	Note	December 31, 2022	Restated* December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		72	49
Restricted cash		22	21
Accounts receivables, net	6	114	318
Amount due from related party current	18	56	—
Favorable contracts	10	38	43
Other current assets	11	46	28
Total current assets		**348**	**459**
Non-current assets			
Investment in associated companies	19	311	264
Drilling units and equipment	9	250	255
Deferred tax assets	7	5	5
Amount due from related party non-current	18	19	69
Favorable contracts	10	68	121
Other non-current assets	12	1	1
Total non-current assets		**654**	**715**
Total assets		**1,002**	**1,174**
LIABILITIES AND EQUITY			
Current liabilities			
Debt due within twelve months	13	—	581
Trade accounts payable		10	7
Short-term amounts due to related parties	18	2	12
Other current liabilities	14	32	96
Total current liabilities		**44**	**696**
Non-current liabilities			
Long-term debt	13	650	233
Other non-current liabilities	15	74	64
Total non-current liabilities		**724**	**297**
Commitments and contingencies (see Note 21)			
Equity			
Common shares	16	—	—
Additional paid in capital	16	1,278	1,192
Accumulated other comprehensive loss		6	3
Accumulated deficit		(1,050)	(1,014)
Total equity		**234**	**181**
Total liabilities and equity		**1,002**	**1,174**

See accompanying notes that are an integral part of these Consolidated Financial Statements.
** Refer to Note 1 - General information*

Approved on behalf of the Board of Directors by:

Robert Jensen
Date: January 23, 2024

Paratus Energy Services Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended December 31, 2022 and December 31, 2021

(In $ millions)

	December 31, 2022	December 31, 2021
Cash Flows from Operating Activities		
Net income/(loss)	**(36)**	**12**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15	2
Amortization of deferred loan charges	8	—
Amortization of favorable contracts	58	7
Share of results from associated companies	(47)	(17)
Loss/(gain) on realization of marketable securities	7	(2)
Unrealized (gain)/loss related to derivative financial instruments	1	(3)
Unrealized foreign exchange gain	(3)	—
Deferred income tax	—	(3)
Change in allowance for credit losses	(25)	(64)
Loss on debt extinguishment	12	—
Other cash movements in operating activities		
Payment-in-kind-interest	62	23
Distributions received from associated companies	—	6
Payments for long term maintenance	(10)	—
Changes in operating assets and liabilities		
Trade accounts receivable	225	(1)
Trade accounts payable	3	4
Net related party balances	(2)	(4)
Other assets	(23)	(5)
Other liabilities	(14)	27
Net cash used in operating activities	**231**	**(18)**
Cash Flows from Investing Activities		
Additions to drilling units and equipment	—	(1)
Cash and restricted cash obtained through acquisition of subsidiary	—	62
Payments received from loans granted to related parties	—	10
Loans granted to related parties	—	(48)
Net cash provided by investing activities	**—**	**23**
Cash Flows from Financing Activities		
Loan costs paid	(3)	—
Repayments of external debt	(196)	—
Repayments of debt to related party	(8)	—
Net cash used in financing activities	**(207)**	**—**
Net increase in cash and cash equivalents, including restricted cash	**24**	**5**
Cash and cash equivalents, including restricted cash, at beginning of the period	70	65
Cash and cash equivalents, including restricted cash, at the end of period	**94**	**70**

Supplementary disclosure of cash flow information		
Interest paid	17	7
Net taxes paid	22	3
Reorganization items, net including loan costs paid	6	3

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Paratus Energy Services Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the year ended December 31, 2022 and restated December 31, 2021

(In $ millions)	**Share Capital**	**Additional paid-in capital**	**Accumulated other comprehensive loss**	**Accumulated deficit**	**Total equity**
Balance as at January 1, 2021 previously reported	**—**	**1,192**	**(23)**	**(1,030)**	**139**
Effects of correction of prior period error	—	—	17	4	**21**
Balance as of January 1, 2021 as restated	**—**	**1,192**	**(6)**	**(1,026)**	**160**
Net income	—	—	—	12	**12**
Other comprehensive income	—	—	9	—	**9**
Balance as at December 31, 2021	**—**	**1,192**	**3**	**(1,014)**	**181**
Net loss	—	—	—	(36)	**(36)**
Issuance of common share in connection with debt modification	—	86	—	—	**86**
Other comprehensive income	—	—	3	—	**3**
Balance as at December 31, 2022	**—**	**1,278**	**6**	**(1,050)**	**234**

See accompanying notes that are an integral part of these Consolidated Financial Statements.

Paratus Energy Services Ltd.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – General information

Company details

Paratus Energy Services Ltd. (previously "**Seadrill New Finance Limited**" or "**NSNCo**") is a company incorporated under the laws of Bermuda and in accordance with the Bermuda Companies Act 1981.

References to "**PES**", **the** "**Company**," "**we**," "**us**" or "**our**" in this Annual Report relate to Paratus Energy Services Ltd., together with its consolidated subsidiaries.

Business

Paratus Energy Services Ltd. is the principal holding company of a group that holds investments in Seamex (100%), Seabras Sapura (50%), and Archer (15.7%). These investments are described below:

- **Seamex** is a drilling contractor that owns and operates five jack-up drilling units located in Mexico under primarily long-term contracts with Pemex-Exploración y Producción ("**Pemex**"). Seamex currently owns five jack-up rigs: *West Intrepid*, *West Defender*, *West Courageous*, *West Oberon*, and *West Titania.*
- ***Seabras Sapura*** is a group of related companies that own and operate six pipe-laying service vessels which are under long-term contract in Brazil. PES has a 50% ownership stake in these companies with the remaining 50% interest being ultimately owned by Sapura Energy Berhad.
- **Archer** is a global oilfield service company that specializes in drilling and well services. PES owns 15.7% of the outstanding common shares of Archer and convertible loan note that has a conversion right into equity of Archer.

Basis of presentation

These Consolidated Financial Statements are presented in accordance with generally accepted accounting principles in the United States of America ("**US GAAP**"). The amounts are presented in United States dollar ("**US dollar**", "**$**" or "**US$**").

The financial information included herein have been prepared for the purpose of complying with the agreements as set forth in Section 4.03(a)(i) of the amended and restated 2026 notes indenture dated and effective as of January 20, 2022 in relation to the senior secured notes due 2026.

Restatement of previously issued consolidated financial statements

The Company has restated its consolidated financial statements as of January 1, 2021 and December 31, 2021 and for the year ended December 31, 2021 and the amounts in the accompanying notes for the matters outlined below.

Liability for uncertain tax positions

The Mexican tax authorities (SAT) are conducting wide ranging audits covering several years through 2018 and have questioned the deductibility of certain costs including the sufficiency of documentation to support the deductions taken for subsidiaries of SeaMex.

The issues are complex, time consuming to resolve, subject to interpretation and therefore uncertain. As a result, the Company has engaged external advisers to assist in discussions with SAT and in developing estimates for the provisions recorded in the consolidated financial statements. During discussions with SAT and as result of tax audits, which for one year was resolved subsequent to December 31, 2022, the Company became aware of errors in the assumptions used to develop the liability of uncertain tax positions in previous periods. Specifically, that the record keeping was insufficient to support the positions taken on filed tax returns. The Company determined that the matter represented an error because the adequacy of the records was not new information and could reasonably had been known in prior periods had an investigation been undertaken.

Additionally, because periods were impacted prior to PES's acquisition of SeaMex, the increase in the provision for uncertain tax positions as of November 2, 2021 (acquisition date) resulting from the restatement, impacted the purchase price allocation. Due to the error, the original purchase price allocation has been re-evaluated with a resulting increase in the liability for uncertain tax positions resulted in a corresponding increase in drilling units and equipment at the acquisition date and an increase in depreciation expense and income tax expense, including interest and penalties for the period after the acquisition date to December 31, 2021.

Foreign currency error in accounting for investment in Seabras Sapura

The Brazilian entity of Seabras Sapura uses the Brazilian real as its functional currency. Historically the Company has accounted for the difference between its investment and its 50% share of the net assets of the Brazilian entity of Seabras Sapura in U.S. dollars instead of using the Brazilian real and then translating to U.S. dollars at appropriate exchange rates as required by U.S. GAAP.

The effect of this error is that the accumulated deficit and the accumulated other comprehensive loss is overstated as of December 31, 2020, other comprehensive income is understated for the year ended December 31, 2021 and the investment in the Brazilian units of Seabras Sapura is understated at December 31, 2021 because the basis differences that historically have been fixed in U.S. dollars do not take into account the depreciation of the Brazilian real compared to the US dollar since the basis differences were established. The impact on the 2021 consolidated statement of operations was immaterial.

Classification of amortization of favorable contract assets

In 2021, the Company classified the amortization of favorable contract assets acquired with the acquisition of SeaMex as amortization expense. The Company has determined that it should have accounted for such amortization as an adjustment to revenues.

Accordingly, the Company has restated the classification of the related amortization expense to an adjustment to revenues for the period from the acquisition of SeaMex to December 31, 2021.

The tables below include the effects of the corrections and adjustments to amounts previously reported.

The restatement impacts for the consolidated statement of operations in 2021 were:

(In $ millions, except per share data)		December 31, 2021 as reported	Restatement impacts	December 31, 2021 as restated
Operating revenues				
Contract revenues		36	(7)	29
Total operating revenues		**36**	**(7)**	**29**
Operating expenses				
Vessel and rig operating expenses	*	(15)	—	(15)
Depreciation		(2)	—	(2)
Amortization of favorable contracts		(7)	7	—
Selling, general and administrative expenses	*	(2)	—	(2)
Expected credit gains/(losses)		—	—	—
Total operating expenses		**(26)**	7	**(19)**
Operating income		**10**	—	**10**
Financial and other items				
Interest income	*	18	—	18
Interest expense	*	(77)	—	(77)
Share in results from associated companies		17	—	17
Loss on debt extinguishment		—	—	—
Other financial items		40	—	40
Total financial and other items		**(2)**	—	**(2)**
(Loss)/income before income taxes		**8**		**8**
Income tax (expense)/benefit		4	—	4
Net (loss)/income		**12**	—	**12**

The restatement impacts on the consolidated statement of comprehensive income(loss) for 2021 were:

(In $ millions)	December 31, 2021 as reported	Restatement Adjustments	December 31, 2021 as restated
Net (loss)/income	**12**	—	**12**
Other comprehensive income/(loss), net of tax:			
Share in results from associated companies	2	4	6
Change in fair value of debt component of Archer	3	—	3
Total comprehensive (loss)/Income for the year	**17**	**4**	**21**

The restatement impact on the consolidated balance sheet were as follows at December 31, 2021:

(In $ millions)	**December 31, 2021 as reported**	**Restatement impacts**	**December 31, 2021 as restated**
ASSETS			
Current assets			
Cash and cash equivalents	49	—	49
Restricted cash	21	—	21
Accounts receivables, net	318	—	318
Amount due from related party current	—	—	—
Favorable contracts	43	—	43
Other current assets	28	—	28
Total current assets	**459**	—	**459**
Non-current assets			
Investment in associated companies	239	25	264
Drilling units and equipment	215	40	255
Deferred tax assets	5	—	5
Amount due from related party non-current	69	—	69
Favorable contracts	121	—	121
Other non-current assets	1	—	1
Total non-current assets	**650**	**65**	**715**
Total assets	**1,109**	**65**	**1,174**
LIABILITIES AND EQUITY			
Current liabilities			
Debt due within twelve months	581	—	581
Trade accounts payable	7	—	7
Short-term amounts due to related parties	12	—	12
Other current liabilities	96	—	96
Total current liabilities	**696**	—	**696**
Non-current liabilities			
Long-term debt	233	—	233
Other non-current liabilities	24	40	64
Total non-current liabilities	**257**	**40**	**297**
Commitments and contingencies (see Note 21)			
Equity			
Additional paid in capital	1,192	—	1,192
Accumulated other comprehensive loss	(18)	21	3
Accumulated deficit	(1,018)	4	(1,014)
Total equity	**156**	**25**	**181**
Total liabilities and equity	**1,109**	**65**	**1,174**

The restatement did not impact consolidated statement of cash flows for the period ended December 31, 2021.

Basis of consolidation

Investments in companies that we directly or indirectly hold more than 50% of the voting control are consolidated in the Consolidated Financial Statements. Intercompany transactions and internal sales have been eliminated on consolidation.

Comprehensive restructuring

i. Introduction

On July 2, 2021, Seadrill Limited ("**Seadrill**"), who at that point held a 100% equity interest in Seadrill New Finance Limited ("**NSNCo**"), now Paratus Energy Services Ltd., and holders of senior secured notes issued by the Company ("**NSNCo Noteholders")** agreed to key commercial terms for a comprehensive restructuring of the Company and entered into a restructuring support agreement ("**RSA**").

The RSA was implemented through a series of transactions. The first element of the RSA was implemented during the period on November 2, 2021, and resulted in PES acquiring a 100% interest in SeaMex. The second part of the RSA was a debt restructuring that required the use of a pre-packaged chapter 11 process which concluded on January 20, 2022, following the end of the reporting period.

ii. Purchase of Seamex through credit bid

During 2020 and 2021, SeaMex Limited built up a significant accounts receivable balance as a result of delayed payments from its sole customer, Pemex. This led to the Company defaulting on certain obligations under its debt agreements and ultimately culminated in SeaMex Limited being placed under joint provisional liquidation in Bermuda on June 18, 2021.

Prior to filing for joint provisional liquidation SeaMex Limited was a joint venture between PES and an investment fund controlled by Fintech Investment Limited ("**Fintech**"), each having a 50% ownership stake in SeaMex. The agreement governing the joint venture was terminated upon filing for joint provisional liquidation and the former owners lost control over the joint venture at this point.

The joint provisional liquidation provided SeaMex Limited with a stay of proceedings whilst it pursued a comprehensive restructuring. SeaMex Limited had two major debt obligations that it needed to restructure: an external credit facility; and a series of related party loans primarily from PES.

On August 31, 2021, SeaMex issued $219 million of new notes due August 2024 ("**New SeaMex Notes**") to certain NSNCo Noteholders. SeaMex used the net proceeds raised from this issuance to repay the previous debt facility.

On November 2, 2021, SeaMex Limited (in liquidation) sold its interest in the business and assets of the SeaMex group to PES, in exchange for waiver of certain related party loans. To effect the sale, SeaMex Limited first transferred its shares in the operating subsidiaries of the SeaMex Group to a newly incorporated holding company and sold its interest in this company to PES in return for the release of debt.

Following this transaction, PES had a 100% equity interest in SeaMex. Please refer to Note 20 - "Business Combination" for further details.

iii. Chapter 11 emergence

Paratus Energy Services Ltd. (previously "Seadrill New Finance Limited")("the Issuer") announced on January 12, 2022 that it had successfully received approval from the U.S. Bankruptcy Court for the Southern District of Texas (the “Court”) for its “one-day” Chapter 11 restructuring under the plan, which it emerged from on January 20, 2022.

In accordance with the plan, post emergence the board of directors of the Issuer shall consist of between three and five members, up to four of which shall be appointed by the Issuer’s noteholders, with the remaining director to be appointed by Seadrill Limited.

The plan provides the Issuer with financial and strategic flexibility and stability. Benefiting from both the new ownership structure and the continuity provided by the Seadrill group, the Issuer expects to continue to focus on maximizing value for all stakeholders from its portfolio of investments including the Seabras Sapura JV and the SeaMex group.

The key terms of the plan included:

1. the release by the holders of the Issuer's pre-existing 12.0% Senior Secured Notes due 2025 (the "Noteholders" and the "Notes", respectively) of all existing guarantees and security and claims (if any) with respect to Seadrill and its subsidiaries (excluding the Issuer and certain of its subsidiaries);
2. the Noteholders, receiving 65% of pro forma equity in the Issuer, with Seadrill Investment Holding Company (a subsidiary of Seadrill) retaining the remaining 35% of pro forma equity in the Issuer, effecting a separation of the Issuer and its subsidiaries (including the Seabras Sapura assets and the SeaMex group) from the consolidated Seadrill group;
3. the issuance of new notes pro rata to Noteholders on amended terms including:
    a. total amount of reinstated new notes: $620,148,899;
    b. maturity date: July 15, 2026;
    c. interest: either (a) 9.0% per annum, consisting of (i) 3.00% cash interest plus (ii) 6.00% payment in kind ("PIK") interest, or (b) 10.0% PIK per annum, in each case payable quarterly;
    d. call protection: redemption price:
        i. prior to July 15, 2022: 105%;
        ii. on or after July 15, 2022: 102%; and
        iii. on July 15, 2023 and thereafter: 100%;
4. the Noteholders will have a first priority right to fund any additional liquidity needs of the Issuer or its affiliates; and
5. Seadrill or its subsidiaries will continue to provide certain management services to the Issuer's group.

The plan also provided for the satisfaction of all trade, customer, and other non-funded debt claims in full in the ordinary course of business. The Company determined that fresh-start accounting did not apply because the re-organization value exceeded the value of its liabilities. The Notes were the only liabilities modified as part of the plan. The Company determined that the modification was not a troubled debt restructuring or an extinguishment of the Notes. Accordingly, the fair value of the equity issued to Noteholders and the fees related to modifying the Notes are treated as a discount from their notional amounts and recognized as an adjustment to the effective interest rate through maturity.

iv. Seadrill disposal of PES

On February 24, 2023, Seadrill sold its entire remaining 35% shareholding in PES and its management incentive fee, documented under the management incentive deed ("MID"), whereby Seadrill would be entitled to receive a 5% fee on any proceeds arising out of a liquidity event above certain levels.

Note 2 – Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods in these Consolidated Financial Statements, unless otherwise noted**.**

Critical Accounting Estimates

The preparation of the Consolidated Financial Statements in accordance with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures about contingent assets and liabilities. We base these estimates and assumptions on historical experience and on various other information and assumptions that we believe to be reasonable. Critical accounting estimates are important to the portrayal of both our financial position and results of operations and require us to make subjective or complex assumptions or estimates about matters that are uncertain. Actual results could differ from those estimates.

Critical accounting estimates that are significant for the year ended December 31, 2022 are as follows:

Carrying value of rig assets

Generally, the carrying amount of our drilling units including rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. However, drilling units acquired through a business combination would be measured at fair value as of the date of acquisition. Our drilling units are subject to various estimates, assumptions, and judgments related to capitalized costs, useful lives and residual values, and impairments.

Our estimates, assumptions and judgments reflect both historical experience and expectations regarding future operations, utilization and performance. At December 31, 2022, the carrying amount of our drilling units was $250 million, representing 38% of our non-current assets.

Business Combination Valuation

When another company is acquired in a business combination, the acquisition method requires us to make certain estimates related to the fair value recognition of identifiable assets acquired and liabilities assumed, such as the fair value of rigs, favorable contract assets and long-term debt. As described in Note 1 - "General Information", on November 2, 2021, NSNCo consolidated SeaMex in a business combination. Critical accounting estimates associated with the acquisition included: Off-contract revenue estimates, off-contract operating expense assumptions, contract probabilities and the weighted average cost of capital ("**WACC**") rate used to discount free cash flow projections. Refer to Note 20 - "Business Combination" to our Consolidated Financial Statements included herein for further information.

Useful lives and residual value

The cost of our drilling units less estimated residual value is depreciated on a straight-line basis over their estimated remaining useful lives. The estimated useful life of our jackup rigs, when new, is 30 years.

The useful lives of rigs and related equipment are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and gas exploration and development, changes in market or economic conditions, changes in laws or regulations affecting the drilling industry and possible climate change impacts. We re-evaluate the remaining useful lives of our drilling units annually and as and when events occur which may directly impact our assessment of their remaining useful lives. This includes changes in the operating condition or functional capability of our rigs as well as market and economic factors.

No residual value is assumed when depreciating drilling unit assets. Our current position is that though there is the potential that we may recover scrap value at the end of the life of a drilling unit, we are not able to form a reliable estimate of the amount, which may also be reduced by any potential decommissioning costs. Therefore, we have made a prudent estimate that the residual value at retirement is $nil. We re-evaluate residual value annually and as and when events occur which may directly impact our assessment of residual value.

The use of different estimates, assumptions and judgments in establishing estimated useful lives and residual values could result in significantly different carrying values for our drilling units which could materially affect our results of operations.

Impairment considerations (Drilling units)

The carrying values of our long-lived assets are reviewed for impairment when certain triggering events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in significantly different carrying values of our assets and could materially affect our results of operations. An impairment loss is recorded in the period in which it is determined that the aggregate carrying amount is not recoverable.

For the year ended December 31, 2022 and 2021, no indicators of impairment were identified against our drilling units.

Current expected credit losses

We are required to record allowances for the expected future credit losses to be incurred on in-scope receivable balances. We have used a probability-of-default model to estimate expected credit losses for all classes of in-scope receivable balances. Under this methodology we use data such as customer credit ratings, maturity of receivable, security of receivable, and incorporate historical data, to estimate the chance of default and loss given default. We then multiply the balance outstanding by the estimated chance of default and loss given default to calculate the allowance required for the expected credit loss. We monitor the credit quality of receivables by re-assessing credit ratings, assumed maturities and probability-of-default on a quarterly basis.

Uncertain tax positions

We provide for income taxes based on the tax laws and rates in effect in the countries in which our operations are conducted and income is earned. The income tax rates and methods of computing taxable income vary substantially between jurisdictions. Our income tax expense is expected to fluctuate from year to year because our operations are conducted in different tax jurisdictions and the amount of pre-tax income fluctuations.

The determination and evaluation of our annual group income tax provision involves the interpretation of tax laws in the various jurisdictions in which we operate and requires significant judgment and the use of estimates and assumptions regarding significant future events, such as amounts, timing and the character of income, deductions and tax credits. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. We recognize tax liabilities based on our assessment of whether our tax positions are more likely than not sustainable, based solely on the technical merits and considerations of the relevant taxing authorities widely understood administrative practices and precedence. Changes in tax laws, regulations, agreements, treaties, foreign currency exchange restrictions or our levels of operations or profitability in each jurisdiction may impact our tax liability in any given year.

While our annual income tax provision is based on the information available to us at the time, a number of years may elapse before the ultimate tax liabilities in certain tax jurisdictions are determined. Current income tax expense reflects an estimate of our income tax liability for the current year, withholding taxes, changes in prior year tax estimates as tax returns are filed or from tax audit adjustments. Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the balance sheet. To determine the amount of deferred tax assets and liabilities, as well as valuation allowances, we must make estimates and certain assumptions regarding future taxable income, including where our drilling units are expected to be deployed. A change in such estimates and assumptions, along with any changes in tax laws, could require us to adjust the amount of deferred taxes. In addition, our uncertain tax positions are estimated and presented within other current liabilities, other liabilities, and as reductions to our deferred tax assets within our Consolidated Balance Sheets. Refer to Note 7 - "Taxation" to our Consolidated Financial Statements included herein for further information.

Foreign currencies

The majority of our revenues and expenses are denominated in U.S. dollars and therefore the majority of our subsidiaries use U.S. dollars as their functional currency. Our reporting currency is also U.S. dollars. Transactions in foreign currencies are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency denominated monetary assets and liabilities are remeasured using rates of exchange at the balance sheet date. Gains and losses on foreign currency transactions are included in the Consolidated Statements of Operations.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. Refer to Note 18 - "Related Party Transactions".

Business Combinations

We account for business combinations in accordance with ASC 805 - Business Combinations. As described in Note 1 - "General Information", on November 2, 2021, NSNCo consolidated SeaMex in a business combination. Management determined that the Transaction qualified as a business combination under ASC 805 because (i) SeaMex as the acquiree met the definition of a business and (ii) NSNCo as the acquirer obtained control of SeaMex. As a result, the acquisition method was applied, and the identifiable assets acquired and liabilities assumed were recognized at fair value on the acquisition date.

i. Accounts receivable, net

SeaMex's CECL model estimates the allowance using a “probability-of-default” model. Refer to Allowance for Credit Losses section below.

ii. Drilling units and equipment

The fair value of drilling units and equipment are estimated through the DCF approach. The DCF approach derives values of rigs from the cash flows associated with the remaining useful life of the rig. Forecasted revenues used in the DCF model are derived from a "general pool" whereby the rigs receive a global dayrate assumption and a contract probability factor. All future cash flows are discounted using a WACC. Key assumptions used in the DCF include WACC, contracted dayrate and utilization forecasts.

iii. Contracts

Management values the favorable intangible drilling contracts by comparing the signed contract rates against the expected rates achievable for the rig type in the market, both adjusted for economic utilization and taxes over expected contract terms. Differences are discounted using an appropriate discount rate. Amortization of favourable and unfavourable contracts is classified as an adjustment to revenues in the periods presented. The Company considers all facts and circumstances when evaluating the impact of renewal or cancellation options on the contract term.

Revenue from contracts with customers

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

We recognize consideration for activities that correspond to a distinct time increment within the contract term in the period when the services are performed. We recognize consideration for activities that are (i) not distinct within the

context of our contracts and (ii) do not correspond to a distinct time increment, ratably over the estimated contract term. The Company's current contracts with its customer includes a termination option exercisable at the discretion of the client up to 12 months in advance of the contract end date.

We determine the total transaction price for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract. The amount estimated for variable consideration may be constrained and is only included in the transaction price to the extent that it is probable that a significant reversal of previously recognized revenue will not occur throughout the term of the contract. When determining if variable consideration should be constrained, we consider whether there are factors outside of our control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. We re-assess these estimates each reporting period as required. Our contracts provide for escalations in the dayrate to be included to reflect market conditions. Such escalations are only recognized as revenue when we receive written approval from the customer. Refer to Note 6 – "Revenue from Contracts with Customers".

Dayrate Drilling Revenue – Our drilling contracts generally provide for payment on a dayrate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The dayrate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Contract Balances – Accounts receivable are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Contract asset balances consist primarily of demobilization revenues which have been recognized during the period but are contingent on future demobilization activities. Contract liabilities include payments received for mobilization as well as rig preparation and upgrade activities which are allocated to the overall performance obligation and recognized ratably over the initial term of the contract.

Local Taxes – Taxing authorities may assess taxes on our revenues. Such taxes may include sales taxes, use taxes, value-added taxes, gross receipts taxes and excise taxes. We generally record tax-assessed revenue transactions on a net basis.

Vessel and Rig Operating Expenses

Vessel and rig operating expenses are costs associated with operating a drilling unit, and include the remuneration of offshore crews and related costs, supplies, insurance costs, expenses for repairs and maintenance as well as costs related to onshore personnel and are expensed as incurred.

Mobilization and demobilization expenses

We incur costs to prepare a drilling unit for a new customer contract and to move the rig to the contract location. We recognize the expense for such mobilization costs over the expected contract term.

We incur costs to transfer a drilling unit to a safe harbor or different geographic area at the end or during the contract. We expense such demobilization costs as incurred. We also expense any costs incurred to relocate drilling units that are not under contract.

Repairs, maintenance and periodic surveys

Costs related to periodic overhauls of drilling units are capitalized under drilling units and amortized over the anticipated period between overhauls, which is generally five years. Related costs are primarily yard costs and the cost of employees directly involved in the work. Amortization costs for periodic overhauls are included in depreciation and amortization expense. Costs for other repair and maintenance activities are included in vessel and rig operating expenses and are expensed as incurred.

Income taxes

PES is a Bermudan company that has a number of subsidiaries and affiliates in various jurisdictions. Currently, the Company and its Bermudan subsidiary are not required to pay taxes in Bermuda on ordinary income or capital gains as they qualify as exempt companies. The Company has received written assurance from the Minister of Finance in Bermuda that it will be exempt from taxation until March 2035. Certain subsidiaries operate in other jurisdictions where taxes are imposed. Consequently, income taxes have been recorded in these jurisdictions when appropriate. Our income tax expense is based on our income and statutory tax rates in the various jurisdictions in which we operate. We provide for income taxes based on the tax laws and rates in effect in the countries in which operations are conducted and income is earned.

The determination and evaluation of our annual group income tax provision involves interpretation of tax laws in various jurisdictions in which we operate and requires significant judgment and use of estimates and assumptions regarding significant future events, such as amounts, timing and character of income, deductions and tax credits. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. We recognize tax liabilities based on our assessment of whether our tax positions are more likely than not sustainable, based solely on the technical merits and considerations of the relevant taxing authority's widely understood administrative practices and precedence.

Changes in tax laws, regulations, agreements, treaties, foreign currency exchange restrictions or our levels of operations or profitability in each jurisdiction may impact our tax liability in any given year. While our annual tax provision is based on the information available to us at the time, a number of years may elapse before the ultimate tax liabilities in certain tax jurisdictions are determined. Current income tax expense reflects an estimate of our income tax liability for the current year, withholding taxes, changes in prior year tax estimates as tax returns are filed, or from tax audit adjustments.

Income tax expense consists of taxes currently payable and changes in deferred tax assets and liabilities calculated according to local tax rules.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit by relevant tax authorities, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. While we believe we have appropriate support for the positions taken on our tax returns, we regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes.

Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards.

Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the Consolidated Balance Sheets. Valuation allowances are determined to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To determine the amount of deferred tax assets and liabilities, as well as at the valuation allowances, we must make estimates and certain assumptions regarding future taxable income, including where our drilling units are expected to be deployed, as well as other assumptions related to our future tax position. A change in such estimates and assumptions, along with any changes in tax laws, could require us to adjust the deferred tax assets, liabilities, or valuation allowances. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. The impact of tax law changes is recognized in periods when the change is enacted.

Current and non-current classification

Generally, assets and liabilities (excluding deferred taxes and liabilities subject to compromise) are classified as current assets and liabilities respectively, if their maturity is within one year of the balance sheet date. In addition, we classify any derivatives financial instruments as current.

Generally, assets and liabilities are classified as non-current assets and liabilities respectively, if their maturity is beyond one year of the balance sheet date. In addition, we classify loan fees based on the classification of the associated debt principal.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and highly liquid financial instruments with original maturities of three months or less.

Restricted cash

Restricted cash represents cash collateral supporting performance guarantees issued to Pemex.

Receivables

Receivables, including accounts receivable, are recorded in the balance sheet at their nominal amount net of expected credit losses and write-offs. Interest income on receivables is recognized as earned. Refer to Note 6 – “Revenue from contracts with customers”.

Allowance for credit losses

The CECL model requires recognition of expected credit losses over the life of a financial asset upon its initial recognition. We determined doubtful accounts on a case-by-case basis and considered the financial condition of the customer as well as specific circumstances related to the receivable such as customer disputes.

The CECL model contemplates a broader range of information to estimate expected credit losses over the contractual lifetime of an asset. It also requires to consider the risk of loss even if it is remote. We estimate expected credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts of events which may affect the collectability. We estimate the CECL allowance using a “probability-of-default” model, calculated by multiplying the exposure at default by the probability of default by the loss given default by a risk overlay multiplier over the life of the financial instrument (as defined by ASU 326).

Equity investments

Equity investments are accounted for using the equity method if we have the ability to significantly influence, but not control, the investee. Significant influence is presumed to exist if our ownership interest in the voting stock of the investee is between 20% and 50%. We also consider other factors such as representation on the investee’s board of directors and the nature of commercial arrangements. We classify our equity investees as “Investments in Associated Companies”. We recognize our share of earnings or losses from our equity method investments in the Consolidated Statements of Operations as “Share in results from associated companies”. Refer to Note 19 – “Investment in associated companies”.

We assess our equity method investments for impairment at each reporting period when events or circumstances suggest that the carrying amount of the investments may be impaired. We record an impairment charge for other-than-temporary declines in value when the value is not anticipated to recover above the cost within a reasonable period after the measurement date. We consider: (1) the length of time and extent to which fair value is below carrying value, (2) the financial condition and near-term prospects of the investee, and (3) our intent and ability to hold the investment until any anticipated recovery. If an impairment loss is recognized, subsequent recoveries in value are not reflected in earnings until sale of the equity method investee occurs.

All other equity investments including investments that do not give us the ability to exercise significant influence and investments in equity instruments other than common stock, are accounted for at fair value, if readily determinable. We classify our other equity investments as “marketable securities” with gains or losses on remeasurement to fair value recognized as “loss on marketable securities”. If we cannot readily ascertain the fair value, we record the investment at cost less impairment. We perform a qualitative impairment analysis for our equity investments recorded at cost at each reporting period to evaluate whether an event or change in circumstances has occurred that indicates that the investment is impaired. We record an impairment loss to the extent that the carrying amount of the investment exceeds its estimated fair value.

Drilling units

Rigs, vessels and related equipment are recorded at historical cost less accumulated depreciation. The cost of these assets, less estimated residual value (currently assumed to be $nil) is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful life of our jack-up rigs, when new, is 30 years. The direct and incremental costs of significant capital projects, such as rig upgrades and reactivation projects, are capitalized and depreciated over the remaining life of the asset.

Drilling units acquired in a business combination are measured at fair value at the date of acquisition. Cost of property and equipment sold or retired, with the related accumulated depreciation and impairment is removed from the Consolidated Balance Sheet, and resulting gains or losses are included in the Consolidated Statement of Operations.

We re-assess the remaining useful lives of our drilling units when events occur which may impact our assessment of their remaining useful lives. These include changes in the operating condition or functional capability of our rigs, technological advances, changes in market and economic conditions as well as changes in laws or regulations affecting the drilling industry.

Lease as a lessee

When we enter into a new contract, or modify an existing contract, we identify whether that contract has a finance or operating lease component. We do not have, nor expect to have any leases classified as finance leases. We determine the lease commencement date by reference to the date the leased asset is available for use and transfer of control has occurred to the lessee. At the lease commencement date, we measure and recognize a lease liability and a right of use (“**ROU**”) asset in the financial statements. The lease liability is measured at the present value of the lease payments not yet paid, discounted using the estimated incremental borrowing rate at lease commencement. The ROU asset is measured at the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date, minus any lease incentives received, plus any initial direct costs incurred by us.

After the commencement date, we adjust the carrying amount of the lease liability by the amount of payments made in the period as well as the unwinding of the discount over the lease term using the effective interest method. After commencement date, we amortize the ROU asset by the amount required to keep total lease expense including interest constant (straight-line over the lease term).

Absent of an impairment of the ROU asset, the single lease cost is calculated so that the remaining cost of the lease is allocated over the remaining lease term on straight-line basis. PES assesses a ROU asset for impairment and recognizes any impairment loss in accordance with the accounting policy on impairment of long-lived assets.

We applied the following significant assumptions and judgments in accounting for our leases.

- We apply judgment in determining whether a contract contains a lease or a lease component as defined by Topic 842.
- We have elected to combine leases and non-lease components. As a result, we do not allocate our consideration between leases and non-lease components.

- The discount rate applied to our operating leases is our incremental borrowing rate. We estimated our incremental borrowing rate based on the rate for our traded debt.

Impairment of long-lived assets

We review the carrying value of our long-lived assets for impairment whenever certain triggering events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. We assess recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Derivative Financial Instruments and Hedging Activities

We record derivative financial instruments at fair value. None of our derivative financial instruments have been designated as hedging instruments. Therefore, changes in their fair value are recognized in the Consolidated Statement of Operations each period.

We classify the gain or loss on derivative financial instruments as a separate line item within financial items in the Consolidated Statement of Operations. We classify the asset or liability for derivative financial instruments as an "other current asset" or "other current liability" in our Consolidated Balance Sheets. We offset assets and liabilities for derivatives that are subject to legally enforceable master netting agreements.

Deferred charges

Loan related costs, including debt issuance, arrangement fees and legal expenses, are capitalized and presented in the Consolidated Balance Sheets as a direct deduction from the carrying amount of the related debt liability, and amortized over the term of the related loan using the effective interest method, the amortization is included in "interest expense" within the Consolidated Statement of Operations.

Note 3 – Recent Accounting Standards

3) Recently adopted accounting standards

We recently adopted the following accounting standard updates ("**ASUs**"):

ASU 2020-06 – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging

Simplifies the guidance in U.S. GAAP on the issuer's accounting for convertible debt instruments. Under current guidance, applying the separation models in ASC 470-20 to convertible instruments with a beneficial conversion feature or a cash conversion feature involves the recognition of a debt discount, which is amortized to interest expense. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that was within the scope of those models before the adoption of ASU 2020-06. PES does not have any instruments with beneficial conversion or cash conversion feature. Accordingly, adoption of this standard had no impact on the financial statements.

ASU 2021-05 – Lessors – Certain Leases with Variable Lease Payments

Requires a lessor to classify a lease with variable lease payments that do not depend on an index or rate (hereafter referred to as "variable payments") as an operating lease on the commencement date of the lease if specified criteria are met. PES does not have any sales-type or direct financing leases.

ASU 2022-03 – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

Clarifies that a “contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security” and is not included in the equity security’s unit of account. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security’s fair value (i.e., the entity should not apply a discount related to the contractual sale restriction). In addition, the ASU prohibits an entity from recognizing a contractual sale restriction as a separate unit of account. PES does not apply any discounts related to contractual sale restrictions.

ASU 2022-04 – Liabilities – Supplier Finance Programs

The amendments in this ASU address investor and other financial statement user requests for additional information about the use of supplier finance programs by the buyer party to understand the effect of those programs on an entity’s working capital, liquidity, and cash flows. PES does not have any supplier finance programs.

ASU 2022-05 – Financial Services – Insurance (Topic 944)

The Board is issuing this Update to reduce implementation costs and complexity associated with the adoption of long-term duration contracts (“**LDTI**”) for contracts that have been derecognized in accordance with the amendments in this update before the LDTI effective date. Not applicable to PES. Only relates to insurance entities.

ASU 2020-04, 2021-01, 2022-06 – Reference Rate Reform (Topic 848)

Regulators and market participants in various jurisdictions have undertaken efforts, generally referred to as reference rate reform, to eliminate certain reference rates and introduce new reference rates that are based on a larger and more liquid population of observable transactions. As a result of the reference rate reform initiative, certain widely used reference rates such as LIBOR are expected to be discontinued. This Topic and associated updates provide optional expedients for applying the guidance for contract modifications or other situations affected by reference rate reform. This is not relevant as PES’s contracts are linked to the new reference rates and management has not identified any contracts that are affected by the reference rate reform.

2) Recently issued accounting standards

Recently issued ASUs by the FASB that we have not yet adopted but which could affect our Consolidated Financial Statements and related disclosures in future periods:

ASU 2023-01 – Leases (Topic 842): Common Control Arrangements

The amendments in this Update respond to private company stakeholders’ concerns about applying Topic 842 to related party arrangements between entities under common control. The update is not applicable to PES.

ASU 2023-02 – Investments – Equity Method and Joint Ventures (Topic 323) – Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Model

The amendments in this Update apply to all reporting entities that hold (1) tax equity investments that meet the conditions for and elect to account for them using the proportional amortization method or (2) an investment in a low-income-housing tax credit (“**LIHTC**”) structure through a limited liability entity that is not accounted for using the proportional amortization method and to which certain LIHTC-specific guidance removed from Subtopic 323-740 has been applied. The update is not applicable to PES.

ASU 2023-06 – Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative

We do not currently expect any of these updates to affect our Consolidated Financial Statements and related disclosures. The amendments in this update should be applied prospectively and for all non-SEC registered entities will be effective in two years.

Note 4 – Current Expected Credit Losses

We have used a probability-of-default model to estimate expected credit losses for all classes of in-scope receivable balances. Under this methodology we use data such as customer credit ratings, maturity of loan, security of loan, and incorporate historical data published by credit rating agencies, to estimate the chance of default and loss given default. We then multiply the balance outstanding by the estimated chance of default and loss given default to calculate the allowance required for the expected credit loss. We monitor the credit quality of receivables by re-assessing credit ratings, assumed maturities and probability-of-default on a quarterly basis.

The following table summarizes the balance sheet movement in the allowance for credit losses for the years ended December 31, 2022 and 2021:

(In $ millions)	Allowance for credit losses – trade receivables	Allowance for credit losses – related party ST	Allowance for credit losses – related party LT	Total Allowance for credit losses
As at January 1, 2021	**—**	**21**	**135**	**156**
Write-off [1] [2]	—	(21)	(65)	**(86)**
Net credit loss reversal	—	—	(64)	**(64)**
Acquisition of SeaMex [3]	60	—	—	**60**
As at December 31, 2021	**60**	**—**	**6**	**66**
Additional credit loss for customer credit notes	10	—	—	**10**
Write-off [4]	(34)	—	—	**(34)**
Net credit loss reversal	(31)	—	(4)	**(35)**
As at December 31, 2022	**5**	**—**	**2**	**7**

Changes in allowances for external trade receivables are included in operating expenses.

[1] In April, 2021 we signed a settlement agreement with Aquadrill (formerly Seadrill Partners) which waived all claims on pre-petition positions held, as such $21 million of loans was written-off.

[2] Write-off of $65 million ECL on sellers credit on acquisition of SeaMex.

[3] Consolidation of SeaMex's ECL allowance on receivables due from the customers.

[4] The specific allowance on billed receivables related to a credit note granted to the customers as part of negotiations. This was netting off against the gross receivables in April 2022.

In 2021 we set aside a 100% credit loss allowance for unbilled escalations related to services provided before that date as there had been a severe delay to payments resulting in a significant level of delinquent receivables. On November 2, 2021 we changed our accounting policy such that escalations are only recognized when we have received written approval from the customer. Unrecognized unbilled escalations from November 2021 to December 2022 amounted to $18million.

Note 5 – Segment information

Operating segments

Our performance is reviewed by the Board, which represents the Chief Operating Decision Maker. In the year ended December 31, 2022 and December 31, 2021, we had one customer with external contract revenues.

Geographic segment data

For the year ended December 31, 2022 and December 31, 2021, all of our revenues were generated in one geographic location, Mexico. During the same periods all of our operating drilling units were located in one geographic location, Mexico.

Note 6 – Revenue from contracts with customers

We have accounts receivables from the customers, net of ECL allowance, of $114 million in the year ended December 31, 2022 (December 31, 2021: $318 million).

Accounts receivable are held at their nominal amount less an allowance for expected credit losses. In calculating the expected credit losses we assumed that the accounts receivable are forborne, mature within the next one to two years, and have a Ba3 credit rating. Refer to Note 4 – Current expected credit losses for further information.

Note 7 – Taxation

Income taxes consist of the following:

(In $ millions)	**December 31, 2022**	**December 31, 2021**
Current tax expense:		
Foreign	20	(1)
Deferred tax expense:		
Foreign	1	(3)
Total tax expense/(benefit)	**21**	**(4)**
Effective tax rate	140%	50.0%

The Company, including its subsidiaries, is taxable in several jurisdictions based on its rig operations. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction. Thus, the Company may pay tax within some jurisdictions even though it might have an overall loss at the consolidated level.

Income taxes for the year ended December 31, 2022 differed from the amount computed by applying the statutory income tax rate in Bermuda of 0% as follows:

(In $ millions)	**December 31, 2022**	**December 31, 2021**
Effect of taxable income in various countries	21	(4)
Total	**21**	**(4)**

Deferred Income Taxes

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes.

The net deferred tax asset consists of the following:

(In $ millions)	**December 31, 2022**	**December 31, 2021**
Property, plant and equipment	(5)	(1)
Provisions	8	6
Net operating losses carried forward	19	10
Gross deferred tax asset	**22**	**15**
Valuation allowance related to net operating losses carried forward and other	(17)	(10)
Net deferred tax asset	**5**	**5**

Future taxable income justifies the inclusion of tax loss carry-forwards in the calculation of net deferred taxes. As at December 31, 2022, deferred tax assets related to net operating loss ("NOL") carry-forwards was $19 million (December 31, 2021: $10 million) which can be used to offset against future taxable income. NOL carry-forwards which were generated in various jurisdictions, include $2 million that will not expire and $17 million that will expire

between 2024 and 2032 if not utilized. Valuation allowances related to net operating losses carried forward as at December 31, 2022 was $13 million, the remaining of $4 million related to valuation allowance on other deferrals.

Uncertain tax positions

The uncertain tax provision is included in “Other non-current liabilities” on the Consolidated Balance Sheets. The changes to the Company’s liabilities related to uncertain tax positions were as follows:

(In $ millions)	**December 31, 2022**	**December 31, 2021**
Balance at the beginning of the year as restated	61	—
Acquisition of SeaMex as previously reported	—	19
Increase as a result of restatement at the acquisition date of SeaMex*	—	40
Increase as a result of positions taken in the current year	6	2
Increase as a result of positions taken in previous years	6	1
Decrease as a result of a lapse of the applicable statute of limitation	—	(1)
Uncertain tax position	**73**	**61**

As also disclosed in Note 1, the Mexican tax authorities (SAT) are conducting wide ranging audits covering several years through 2018 and have questioned the deductibility of certain costs including the sufficiency of documentation to support the deductions taken for subsidiaries of SeaMex.

The issues are complex, time consuming to resolve, subject to interpretation and therefore uncertainty. As a result, the Company has engaged external advisers to assist in discussions with SAT and in developing estimates for the provisions recorded in the consolidated financial statements. During discussions with SAT and as result of tax audits, which for one year was resolved subsequent to December 31, 2022, for approximately $9 million. The Company became aware of errors in the assumptions used by previous service provider to develop the liability of uncertain tax positions in previous periods. Specifically, that the record keeping was insufficient by the previous service provider to support the positions taken on filed tax returns. The Company determined that the matter represented an error because the adequacy of the records was not new information and could reasonably had been known in prior periods had an investigation been undertaken.

*The prior period adjustment represents the cumulative increase in the income tax expense and the related liability for uncertain tax positions of $40.0 million in SeaMex for all periods through the date of the business combination on November 2, 2021.

Of the liability above, approximately half represents cumulative interest and penalties as of December 31, 2022.

Note 8 – Share capital

The Company has 1,000 common shares outstanding as of December 31, 2021, all of which were owned by Seadrill. In connection with emergence from bankruptcy on January 20, 2022, the Company's share capital was modified, and 185,700 Class A ordinary shares were issued to the holders of the Notes and 100,000 Class B ordinary shares were issued to Seadrill. The ordinary shares have similar rights and par value of $0.01.

Note 9 – Drilling units and equipment

The gross carrying value and accumulated depreciation included in drilling units in the Consolidated Balance Sheet are as follows:

(In $ millions)	Gross carrying value	Accumulated depreciation	Net carrying value
As at January 1, 2021	**—**	**—**	**—**
Acquisition of SeaMex as previously reported	216	—	216
Additions	1	—	1
Depreciation	—	(2)	(2)
Prior period adjustment	40	—	40
As at December 31, 2021 as restated	**257**	**(2)**	**255**
Additions	10	—	**10**
Depreciation	—	(15)	**(15)**
As at December 31, 2022	**267**	**(17)**	**250**

Note 10 – Favorable contracts

The gross carrying value and accumulated amortization included in favorable contracts in the Consolidated Balance Sheet are as follows:

(In $ millions)	Gross carrying value	Accumulated amortization	Net carrying value
As at January 1, 2021	**—**	**—**	**—**
Acquisition of SeaMex (note 20)	171	—	171
Amortization	—	(7)	(7)
As at December 31, 2021	**171**	**(7)**	**164**
Amortization	—	(58)	**(58)**
As at December 31, 2022	**171**	**(65)**	**106**

This is presented on the Consolidated Balance Sheet as follows:

(In $ millions)	December 31, 2022	December 31, 2021
Current assets	38	43
Non-current assets	68	121
Total other current assets	**106**	**164**

The amortization is recognized in the Consolidated Statements of Operations an adjustment to revenue of favorable contracts. The average remaining amortization period for the favorable contracts is 33 months.

The table below shows the amounts relating to favorable contracts that is expected to be amortized over the following periods:

	Period ended December 31				
(In $ millions)	**2023**	**2024**	**2025**	**2026**	**Total**
Amortization of favorable contracts	38	31	29	8	106

Note 11 – Other current assets

Other current assets consist of the following:

(In $ millions)	December 31, 2022	December 31, 2021
VAT	25	2
Taxes receivable	11	11
Marketable securities	8	10
Prepaid expenses	2	4
Right of use asset	—	1
Total other current assets	**46**	**28**

Note 12 – Other non-current assets

As at December 31, 2022, other non-current assets consist of $1 million long-term right of use asset (as at December 31, 2021: $1 million).

Note 13 – Debt

As of December 31, 2022 and December 31, 2021 we had the following debt amounts outstanding:

(In $ millions)	December 31, 2022	December 31, 2021
Notes:		
$880m Senior Secured Notes	—	581
$620m Senior Secured Notes plus PIK interest	681	—
$219m New SeaMex Notes	46	221
Total external credit facilities	**727**	**802**
Add/deduct net premium/discount and fees	(77)	12
Carrying value	**650**	**814**

This was presented in our consolidated balance sheet as follows:

(In $ millions)	December 31, 2022	December 31, 2021
Debt due within twelve months	—	581
Long-term debt	650	233
Total debt principal	**650**	**814**

The outstanding external debt as at December 31, 2022 is repayable as follows:

(In $ millions)	$620m Senior Secured Notes	$219m New SeaMex Notes	Total
2023	—	—	—
2024 and thereafter	603	47	650
Total debt principal	**603**	**47**	**650**

The key terms relating to our debt in the year ended December 31, 2022 and December 31, 2021 are explained below.

$880m Senior Secured Notes and $620m Senior Secured Notes

As at December 31, 2021, the outstanding balance of $581 million relates to the Senior Secured notes of $633 million offset by the notes held within the PES group of $52 million.

Per NSNCo' s Plan of Reorganization Class 3 – Secured Notes Claims were impaired. Class 3 Claims pertained to holders of the Secured Notes due 2025. During bankruptcy, the Senior Notes Claim amount of $620 million was reclassified and recognized as LSTC. The entire amount was deemed as principal because the amount of accrued interest was treated as paid-in-kind interest and rolled into the principal balance. Secured Notes due 2025 Indenture was entered into between NSNCo and NSNCo's Creditors (the 'Lenders") as of July 2, 2018 and amended by Supplemental Indentures as of March 11, 2019 and July 9, 2021, respectively. The Plan of Reorganization was confirmed on January 12, 2022 and NSNCo emerged from chapter 11 bankruptcy on January 20, 2022 (the "Effective Date"). New Secured Notes due July 15, 2026 were issued on January 20, 2022 pursuant to Amended Secured Notes Indenture. New Secured Notes are in an aggregate principal amount of $620 million and Paid-in kind ("PIK") Notes (if any). As at December 31, 2022, the outstanding notional balance of $681 million comprises Senior Secured Notes principal of $620 million and $61 million accrued PIK interest. The Senior Secured Notes are presented net of an unamortized discount and have a carrying amount of $603 million at December 31, 2022.

$219 million New SeaMex Notes

The SeaMex notes, consolidated into the group from November 2, 2021, are comprised of $192 million refinanced credit facilities, a $27 million capitalized upfront fee and capitalized interest of $2 million. The notes have a maturity of August 31, 2024, bearing a fixed interest of 12% per annum, on a "pay-if-you-can" basis, depending on agreed liquidity available. No amortization payments are due until maturity.

The new notes were recognized at fair value, which was at a premium to the principal value as a result of the 12.0% interest being above the estimated market yield applicable to SeaMex. The debt premium is amortized over the term of the facility.

The debt is secured on a senior basis by substantially all assets of SeaMex and its subsidiaries.

During 2022, SeaMex made voluntary debt repayments of $177 million. The payments were comprised of principal and capitalized interest payments of $152 million and $25 million in July 2022 and August 2022 respectively.

Note 14 – Other current liabilities

Other current liabilities comprised the following:

(In $ millions)	**December 31, 2022**	**December 31, 2021**
VAT	12	26
Taxes payable	7	19
Employee withheld taxes and social security	5	2
Withheld business taxes	—	7
Lease liability	—	1
Accrued interest expense	—	35
Other current liabilities	8	6
Total other current liabilities	**32**	**96**

Note 15 – Other non-current liabilities

Other non-current liabilities consist of the following:

(In $ millions)	**December 31, 2022**	**December 31, 2021 restated**
Uncertain tax position	73	61*
Lease liability	—	1
Other non-current liabilities	1	2
Total other non-current liabilities	**74**	**64**

* As disclosed in Note 1 and Note 7, periods prior to PES's acquisition of SeaMex were impacted. Thus, the increase in the provision for uncertain tax positions is as of November 2, 2021 (acquisition date).

Note 16 – Issuance of new shares

As discussed in the Note 1 – General Information and Note 8 – Share capital the Company issued common shares in connection with modification of the notes.

Note 17 – Risk management and financial instruments

We are exposed to various market risks, including interest rate, foreign currency exchange and concentration of credit risks. We may enter into a variety of derivative instruments and contracts to maintain the desired level of exposure arising from these risks.

Foreign exchange risk management

The Company and all of its subsidiaries use the US dollar as their functional currency because the majority of their revenues and expenses are denominated in US dollars. Our reporting currency is US dollars. In certain circumstances we incur expenses in other currencies and there is thus a risk that currency fluctuations could have an adverse effect on the value of our cash flows.

Our foreign currency risk arises from:

- the measurement of monetary assets and liabilities denominated in foreign currencies converted to US Dollars, with the resulting loss recorded as "Impairment of convertible bond from related party", and presented in the "Other financial items" line on the Consolidated Statements of Operations; and
- the impact of fluctuations in exchange rates on the reported amounts of our revenues and expenses which are denominated in foreign currencies.

Although we complete some transactions in the local currency of the operating entities, Mexican Peso, this does not amount to a sufficient foreign exchange exposure to warrant a foreign exchange hedging instrument. We do not use foreign currency forward contracts or other derivative instruments related to foreign currency exchange risk.

Credit risk

We have financial assets which expose us to credit risk arising from possible default by a counterparty. In the normal course of business, we do not demand collateral from our counterparties.

Concentration of Credit Risk

There is a concentration of credit risk with respect to revenue as we generate all of our revenue from one customer. Ongoing credit evaluations of this customer are performed and it was determined that we do not require collateral in our business agreements. Reserves for potential credit risk is considered as part of our expected credit loss provision. For details on how we estimate expected credit losses, refer to Note 4 – “Current expected credit losses”.

We do not have significant concentration of credit risk towards Citibank and we have policies that limit the amount of credit exposure to individual institutions.

Fair values of financial instruments

The carrying value and estimated fair value of the Company’s financial instruments were as follows:

	December 31, 2022		**December 31, 2021**	
(In $ millions)	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Assets				
Marketable securities (Level 1)	8	8	10	10
Related party loans receivables – Seabras loans receivables (Level 2)	56	56	51	51
Related party loans receivables – Archer convertible debt (Level 3)	19	19	18	18
Liabilities				
$880m and $620m of Senior Secured Notes (Level 1) (*)	644	650	476	581
$219m New SeaMex Notes (Level 3) (*)	47	47	233	233

(*) These instruments are at a fixed interest rate.

US GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, US GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

The carrying value of cash and cash equivalents, restricted cash, accounts receivable (net of ECL), related party payables and accounts payable are by their nature short-term. As a result, the carrying values included in the Consolidated Balance Sheets approximate fair value

Level 1

The carrying value of cash and cash equivalents and restricted cash, which are highly liquid, is a reasonable estimate of fair value and categorized at level 1 of the fair value hierarchy. Quoted market prices are used to estimate the fair value of marketable securities, which are valued at fair value on a recurring basis.

The fair value of the senior secured notes were derived using market traded value. We have categorized this at level 1 on the fair value measurement hierarchy. Refer to Note 13 – Debt for further information.

Level 2

We estimate the fair value of the related party loans receivable from Seabras Sapura to be equal to the carrying value after adjusting for expected credit losses. The debt is not freely tradable and cannot be recalled by us at prices other than specified in the loan note agreements. The loans were entered into at market rates. The loans are categorized as level 2 on the fair value hierarchy. Other trading balances with related parties are not shown in the table above and are covered in Note 18 – Related party transactions. The fair value of other trading balances with related parties are also assumed to be equal to their carrying value after adjusting for expected credit losses on the receivables.

Level 3

On August 31, 2021, we entered into a Note Purchase Agreement (“**NPA**") with some of the Noteholders. The NPA has a maturity of August 31, 2024 and consists of a $190 million term new loan facility and a $26.9 million upfront fee, bearing interest at a margin of 12% per annum.

The NPA is not freely tradable and cannot be purchased by the Company at prices other than the outstanding balance plus accrued interest. The fair value of the debt facility was derived using the DCF model. A cost of debt of 10.3% was used to estimate the present value of the future cash flows. We have categorized this at level 3 on the fair value measurement hierarchy.

The Archer convertible debt instrument is bifurcated into two elements. The fair value of the embedded derivative option is calculated using a modified version of the Black-Scholes formula for a currency translated option. Assumptions include Archer's share price in NOK, NOK/USD FX volatility and dividend yield. The fair value of the debt component is derived using the discounted cash flow model including assumptions relating to cost of debt and credit risk associated with the instrument. We have categorized this at level 3 of the fair value hierarchy. Refer to Note 18 – Related party transactions for further information.

The gain on derivatives reported in our consolidated statement of operations included the following:

(In $ millions)	**December 31, 2022**	**December 31, 2021**
Archer convertible debt instrument	1	3
Gain on derivative financial instruments	**1**	**3**

This represents gains and losses on the conversion option included within an $19 million convertible bond issued to us by Archer. Please see Note 18 – Related party transactions for further details.

Note 18 – Related party transactions

We have entered into certain agreements with affiliates of Seadrill to provide certain management and administrative services, as well as technical and commercial management services.

Both Seadrill and Fintech, the former joint venture ("**JV**") Partners, have also provided financing arrangements as described within this note below.

Net expense with related parties consists of the following:

(In $ millions)	**December 31, 2022**	**December 31, 2021**
Management and administrative fees from Seadrill Management Ltd. (a)	(14)	(2)
Total related party expenses	**(14)**	**(2)**

(Payables)/receivables with related parties consist of the following:

(In $ millions)	December 31, 2022	December 31, 2021
Short-term other payables [(a)]	(2)	(4)
$16 million JV partner loan facility [(b)]	—	(8)
Short-term amounts due to related parties	**(2)**	**(12)**
Seabras loan receivable [(c)]	56	—
Short-term amounts due from related parties	**56**	**—**
Seabras loan receivable [(c)]	—	51
Convertible bond [(d)]	19	18
Long-term amounts due from related parties	**19**	**69**

(a) Management and administrative service agreements and short-term other payables- Short-term other payables are primarily comprised of payables to Seadrill Limited for related party management and crewing fees. SeaMex received management, administrative, and operational support services from Seadrill Limited. The expenses incurred for these services are reported within either "Vessel and rig operating expenses" or "Selling, general and administrative expenses" on the Consolidated Statement of Operations, depending on the nature of the service provided.

(b) *JV partner loan facility* - During December 2021, $8 million of the $16 million loan facility was settled, with the remaining balance fully settled during March 2022.

(c) *Seabras loan receivable* - this includes a series of loan facilities that we extended to Seabras Sapura between May 2014 and December 2016. The $56 million balance shown in the table above includes (i) $41 million of loan principal; (ii) $17 million of accrued interest and (iii) allowance for expected credit loss $2 million. The loans are repayable on demand, subject to restrictions on Seabras Sapura's external debt facilities.

(d) *Convertible bond* - On March 13, 2020, Archer announced completion of a refinancing, which included agreed renegotiated terms on the convertible loan. The updated terms amended the loan balance to $13 million that bears interest of 5.5%, matures in April 2024 and an equity conversion option. The fair value of the convertible debt instrument as at December 31, 2022 was $19 million, of which the split between debt and embedded derivative option was $15 million and $4 million respectively.

Note 19 – Investment in associated companies

Our investment in associated companies as at December 31, 2022 and December 31, 2021 was comprised of:

Ownership percentage	**December 31**
Seabras Sapura	50.0 %

Seabras Sapura is a group of related companies that own and operate six pipe-laying service vessels in Brazil. We have a 50% ownership stake in each of these companies. The remaining 50% interest is owned by Sapura Energy Berhad ("**Sapura Energy**").

Our equity method investments were measured at fair value which resulted in a different basis from the underlying carrying values of the investees' net assets at the date of emergence. The basis differences comprise of (i) drilling unit basis differences which are depreciated over the remaining useful life of the associated asset and (ii) contract basis differences which are amortized over the remaining term of the contract. The unwinding of the basis difference is recognized as a "Share in results from associated companies" in the Consolidated Statement of Operations.

Share in results from associated companies

Our share in results of our associated companies (net of tax) were as follows:

(In $ millions)	December 31, 2022	December 31, 2021
Seabras Sapura	47	17
Total share in results from associated companies (net of tax)	**47**	**17**

Summary of Consolidated Statements of Operations for our equity method investees

The results of the Seabras Sapura companies and our share in those results (net of tax) were as follows:

(In $ millions, unless otherwise stated)	Year ended December 31, 2022	Year ended December 31, 2021
Operating revenues	407	342
Net operating income	190	95
Net income	122	62
PES ownership percentage	50 %	50 %
Share of net income	**61**	**31**
Amortization of basis differences	(14)	(14)
Share in results from Seabras Sapura (net of tax)	**47**	**17**

Book value of our investments in associated companies

At the year end, the book values of our investments in our associated companies were as follows:

(In $ millions)	December 31, 2022	December 31, 2021
Seabras Sapura as restated	196	149
Seabras Sapura Holding GmbH - shareholder loans held as equity	115	115
Total	**311**	**264**

Quoted market prices for all of our investments are not available.

Summarized Consolidated Balance sheets for our equity method investees

The summarized balance sheets of the Seabras Sapura companies and our share of recorded equity in those companies was as follows:

(In $ millions, unless otherwise stated)	**December 31, 2022**	**December 31, 2021**
Current assets	175	179
Non-current assets	1,364	1,466
Current liabilities	(486)	(546)
Non-current liabilities	(134)	(308)
Net Assets	**919**	**791**
PES ownership percentage	50 %	50 %
PES share of book equity	460	396
Shareholder loans held as equity	115	115
Basis difference allocated to vessels	(295)	(308)
Basis difference allocated to contracts	31	61
Total adjustments	**(149)**	**(132)**
Book value of PES investment	**311**	**264**

Note 20 – Business Combination

On August 31, 2021, SeaMex entered into a restructuring implementation deed with PES and the JPLs and refinanced SeaMex senior secured bank debt by the issuance of new senior secured notes (the “**New SeaMex Notes**”).

On September 2, 2021, the parties entered into a share purchase agreement to sell the assets of SeaMex out of provisional liquidation to a newly incorporated wholly owned subsidiary of PES in return for the extinguishment of $0.4 billion of the various forms of debt instruments owed to PES, gross of expected credit loss allowances previously recognized totaling $65 million. On November 2, 2021 the SPA closed and PES obtained the remaining 50% equity interest in SeaMex, resulting in the consolidation of SeaMex into PES in a business combination.

We have used a convenience date for this transaction and concluded that SeaMex is consolidated into the PES group effective November 1, 2021. Prior to this date it was accounted for as an investment in associated companies on the PES Consolidated Balance Sheet.

The following is a summary of SeaMex's identifiable assets acquired and liabilities assumed as at acquisition date:

(In $ millions)	**As at acquisition**
Carrying amounts of major classes of assets	
Cash and cash equivalents	41
Restricted cash	21
Accounts receivable, net	316
Intangible drilling contracts	171
Drilling units and equipment as restated	256
Other assets	18
Total assets	**823**
Carrying amounts of major classes of liabilities	
Amounts due to related parties	133
Long-term debt	234
Other liabilities as restated	128
Total liabilities	**495**
Net asset acquired	**328**

Prior to November 2021, 50% of the net income or loss from SeaMex was recognized as a share in results from associated companies in PES's Consolidated Statement of Operations. From November 2021 onwards, 100% of SeaMex's results from operations form part of PES's consolidated results.

Had the prior period adjustment for the liability for uncertain tax positions been corrected in SeaMex's pre-business combination financial statements, the liability for uncertain tax positions and the accumulated deficit would have increased by $39.9 million immediately prior to the business combination.

The following is a summary of SeaMex's operation results since the acquisition date included in PES's consolidated results for the reporting period:

(In $ millions)	**Period November 2, 2021 until December 31,**
Results from business combination	
Operating revenues	
Contract revenues as restated	29
Total operating revenues	**29**
Operating expenses	
Vessel and rig operating expenses as restated	(18)
Selling, general and administrative expenses	(2)
Total operating expenses	**(20)**
Operating profit	**9**
Financial and non-operating items	
Interest expense	(4)
Others	(1)
Total financial items	**(5)**
Income before tax	**4**
Income tax benefit	5
Net income	**9**

Note 21 – Commitments and contingencies

From time to time we are a party, as plaintiff or defendant, to lawsuits in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the construction or operation of our drilling units, in the ordinary course of business or in connection with our acquisition or disposal activities. We believe that the resolution of such claims will not have a material impact individually or in the aggregate on our operations or financial condition. Our best estimate of the outcome of the various disputes has been reflected in our Consolidated Financial Statements as at December 31, 2022.

Note 22 – Subsequent Events

Subsequent events have been evaluated through January 23, 2024.

Change in ownership

On February 24, 2023, the Company's parent, Seadrill, completed the sale of its 35% shareholding in the Company and certain other interests (MID) for a total consideration of $44 million (the "PES Sale"). In connection with the PES Sale, on March 14, 2023, Seadrill issued each of the Company and SeaMex with a termination notice in respect of the master service agreements under which Seadrill provides management services. The terminations are effective late 2023.

Conversion of convertible loan

On April 20, 2023, PES received 208,000,000 new common share of Archer Limited ("Archer") in connection with the conversion of PES convertible loan. PES holds a total of 392,305,324 shares in Archer, representing 24.4% of the total number of share and voting rights in Archer. As at December 31, 2022 the investment in Archer was recognized as Marketable Securities included in "Other Current Assets" in the Consolidated Balance Sheets. From April 2023, the investment in Archer will be accounted for as an equity method investee.

Payments under debt facility

During 2023, interest payments of $1.4 million were made on the $219m New SeaMex Notes**.** The Notes were fully repaid in July 2023.

Repayment of Seabras loans

PES received $65.5 million in June 2023 from Seabras to settle the loan receivable from Seabras. The payment includes (i) $34.7 million loan principal, (ii) $12.8 million loan equity and (iii) 18.0 million of accrued interest. In September 2023, PES received $19 million for equity loans. Further information on the loan receivable can be found in Note 18 Related party transactions.

Establishment of incentive scheme

In April 2023, the Company approved establishment of incentive plans to provide selected participants with a financial incentive, which recognizes long-term corporate, organization and individual performance and accomplishments. Directors and management of the Company and/or its subsidiaries can be awarded from time to time. Establishment and implementation of the incentive plan is determined by the Board of Directors for the Company.

Covenant compliance

The Company revisited series of supplemental indentures in 2023. Supplemental indenture signed in May 2023 waived failure to comply in full with Reporting Covenant and Compliance Covenant for the fiscal year ending December 31, 2022.

Class C share issuance

On May 25, 2023, the board of Paratus authorized the issuance of 22,332 shares of a new class of ordinary non-voting shares in the Company (the "C Shares") to Hemen Investments Ltd ("Hemen"), Lodbrok Capital LLP

(“Lodbrok”), and Melqart Asset Management (UK) Ltd (“Melqart”) (combined the “Acquiring Shareholders”) as consideration for the termination of the management incentive deed (“MID”).