

Paratus Energy Services Ltd.

Unaudited Interim Results

Second Quarter 2024

SECOND QUARTER 2024 RESULTS

Unless the context indicates otherwise, "Aratus," the "Company," "we," "us," "our," and similar terms, all refer to Paratus Energy Services Ltd. (previously known as "Seadrill New Finance Limited" or "NSNCo"), while "Paratus Group" or the "Group" refers collectively to the Company and its consolidated subsidiaries and its ownership in Joint Ventures ("JV"). All references to "USD" and "\$" in this report denote U.S. dollars unless indicate otherwise.

Company overview

Paratus is a holding company of a group of energy services companies and is comprised of its wholly owned subsidiary Fontis Holdings Ltd., previously known as "SeaMex Holdings Ltd". and its subsidiaries (jointly "Fontis"), 50/50 joint venture interest in Seagems (formerly "Seabras Sapura") joint venture, comprising of Seabras Sapura Holding GmbH and Seabras Sapura Participacoes SA, (collectively "Seagems" or the "JV") and its 24.2% ownership in Archer Limited ("Archer"). Paratus is listed on the Euronext Growth Oslo under the ticker "PLSV".

- Fontis is a provider of drilling services, operating a fleet of five high-specification jack-up rigs – *Defender, Courageous, Intrepid, Oberon, and Titania FE* - currently located in Mexico, under contract with a large state-owned company in Mexico.
- Seagems is a subsea services company, operating a fleet of six multipurpose pipe-laying support vessels - *Diamante, Topazio, Esmeralda, Onix, Jade and Rubi* – with capabilities for subsea engineering, installation, and other services, under contract in Brazil.
- Archer is a global oil services company which operates in 40 locations providing drilling services, well integrity and intervention, plug and abandonment and decommissioning to its upstream oil and gas clients. Archer is listed on the Euronext Oslo Stock Exchange under the ticker "ARCH".

Q2 2024 highlights and post-quarter developments

In the second quarter 2024, the Company strengthened its capital structure through raising a new five-year bond to partially refinance the 2026 notes and raising \$75 million of gross proceeds in connection with a successful listing on the Euronext Growth Oslo. Both issuances attracted strong investor demand and were significantly oversubscribed. The Group continued to demonstrate strong financial and operational performance during the quarter, characterized by high margins and continuous cash flow generation on strong technical utilization.

- Successfully listed on the Euronext Growth Oslo
- Successful placement of 15.3 million new shares, raising gross proceeds of \$75 million
- Successful placement of a new \$500 million five-year bonds, partially refinancing 2026 notes post-Q2 2024 and extending majority of maturities to 2029
- Delivered Group revenues of \$124 million¹ and adjusted EBITDA of \$70 million¹ on strong operational performance
- Exited the quarter with a Group cash balance of \$246 million and \$518 million¹ in net debt
- Increased Seagems backlog with an additional ~\$1.8bn from three-year contracts for each of the JV's six vessels and further secured extensions for the Rubi and Esmeralda post-Q2, increasing the backlog by another ~\$74 million combined
- The Board of Directors authorized a cash distribution to shareholder of \$0.22 per share and approved a share repurchase mandate to acquire shares for an amount of up to \$100 million

¹ Based on management reporting

Operational review for the second quarter of 2024

(In \$ millions, unless stated otherwise)	Note	Q2 2024 results per segment			Total Group
		Seagems (50% share)	Fontis	Other	
Key segment financials					
Contract revenues	4	52.2	71.8	-	124.0
Rig / Vessel operating expenses	3	17.4	23.9	0.3	41.6
General and administrative expenses	3	3.0	1.1	5.1	9.2
Adjusted EBITDA		28.1	46.8	(5.4)	69.5
Operating income	3	17.6	37.0	(2.6)	52.0
Net income/(loss)	3	19.9	38.6	(24.2)	34.1
Cash and cash equivalents	11	13.7	101.3	130.9	245.9
Interest-bearing debt (notional amount)	11	48.3	-	715.4	763.7
Net debt/(cash)		34.6	(101.3)	584.5	517.8
Key segment operational data					
Average contractual rate (\$ thousand per day)*		200.8	126.7		
Opex per unit (\$ thousand per day)		63.8	52.4		
Technical utilization rate		99.3%	99.8%		
Contract backlog		1,032.7	369.0		1,401.7

* Operational days

The following operational review is based on management reporting as defined in the alternative performance measures (“APM”) section of this report. For reconciliation and more information about key figures, see the section on APM.

The Group, including the Company’s share in Seagems, generated contract revenues of \$124 million and adjusted EBITDA of \$70 million, up from \$109 million and \$56 million, respectively, in the previous quarter.

Fontis

Fontis generated contract revenues of \$72 million (Q1 2024: \$55 million) and adjusted EBITDA of \$47 million (Q1 2024: \$31 million). The revenue increase of \$17 million (30%) from the previous quarter was primarily driven by the recognition of revenue from previously unbilled services and higher dayrates following market indexation in February 2024. The Opex of \$24 million and SG&A of \$1 million were broadly in line with Q1 2024 (\$23 million and \$1 million respectively). In Q2 2024, Fontis achieved an average contractual rate of \$126.7 thousand per day (Q1 2024: \$118.1 thousand per day) and an average technical utilization of 99.8% (Q1 2024: 99.6%), closing the quarter with a contract backlog of \$369 million.

During the quarter, Fontis collected \$90 million of receivables from its key client in Mexico (\$16 million in Q1 2024). The Company notes that the collection from the client may continue to fluctuate going forward.

Seagems

The Company’s 50% share in the JV contributed with \$52 million in contract revenues (Q1 2024: \$53 million) and \$28 million in adjusted EBITDA (Q1 2024: \$27 million), remaining steady compared to the previous quarter. Opex amounted to \$17 million in the quarter, slightly down from \$19 million in the previous quarter mainly driven by lower personnel costs, while the S&GA of \$3 million was broadly in line with Q1 2024 (\$3 million). The JV achieved an average contractual rate of \$200.8 thousand per day (Q1 2024: \$208.8 thousand per day) and an average technical utilization of 99.3% (Q1 2024: 98.7%).

As previously announced, pursuant to an agreed plan amongst the JV shareholders, Seagems distributes all excess cash to its JV shareholders. During Q2 2024, the JV distributed \$14 million to Paratus (\$24 million in Q1 2024).

Furthermore, in Q2 2024 the Company announced new contracts for its entire fleet of six multipurpose pipe-laying support vessels through a competitive Petrobras tender process, adding approximately \$1.8 billion to the backlog.

Following end of Q2 2024, Seagems secured extensions for the vessels Rubi and Esmeralda, increasing the JV’s backlog by approximately \$74 million. The Rubi will continue operations for Petrobras for an additional 235 days, adding \$62 million to the backlog, while the Esmeralda’s new commitment comprise a 60-day extension with Petrobras, adding \$12 million in backlog. Both vessels will commence and complete these new commitments prior to starting the new three-year contracts awarded by Petrobras earlier this year.

Other

The Other segment includes our 24.2% ownership in Archer which is accounted for as an equity method investment as well as general corporate activities. Net loss during the quarter was \$24 million (Q1 2024: \$24 million) which mainly comprised of corporate G&A of \$5 million which increased with \$4 million from Q1 2024 (\$1 million) due to transaction costs incurred

related to the Initial Public Offering (“IPO”) and placement of bonds in June 2024, interest payments of \$16 million and other financial expenses of \$5 million.

Liquidity and Capital Management

The Company’s principal sources of liquidity are cash flows generated from operations, offerings of equity and external financing mainly through bonds. Regular cash projections are conducted to assess liquidity needs, informing decisions by the Board of Directors and management.

The Company manages and adjusts its capital structure to ensure that it remains sufficiently funded to support its business strategy and maximize shareholder value. If required, the capital structure may be adjusted through equity or debt transactions, asset restructuring or through other measures.

The Group, closed Q2 2024 with a cash balance of \$246 million and net debt of \$518 million, including \$14 million and \$35 million of the Company’s share in Seagems’ cash balance and net debt, respectively. In comparison, Q1 2024 ended with a cash balance of \$126 million and net debt of \$639 million, including \$18 million and \$3 million of the Company’s share in Seagems’ cash balance and net debt, respectively. The increase in the Group’s cash balance was mainly driven by the private placement in June 2024 and higher collection of receivables in Mexico. The Group’s interest-bearing debt (at notional amounts) totalled \$764 million, comprising \$715 million at Paratus plus \$48 million in Seagems.

Financial summary for the first six months of 2024

	Note	Three months ended		Six months ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(In \$ millions, unless stated otherwise)</i>					
<u>Statements of operations summary</u>					
Operating revenues	4	64.2	45.8	111.8	73.5
Operating income	3	54.1	16.8	86.5	24.3
Net income/(loss)	3	34.1	(1.2)	43.8	(26.4)
Earnings per share (\$ per share)	13	0.22	(0.01)	0.28	(0.18)
<u>Other key financial figures</u>					
Cash and cash equivalents	6			At June 30, 2024	At Dec. 31, 2023
Interest-bearing debt (notional amount)	11			232.2	114.7
Net debt				715.4	715.4
				483.2	600.7

The following financial summary is based on our financial reporting under US GAAP and should be read in conjunction with the financial statements and accompanying notes provided elsewhere in this report.

Net income the first six months of 2024 was \$44 million compared to a net loss of \$26 million for the first six months of 2023.

Operating income increased by \$62 million, from \$24 million in H1 2023 to \$87 million in H1 2024. The increase in operating income reflects higher revenues and higher income from equity method investments. Additionally, the H1 2023 operating income was negatively impacted by the accounting effects from the termination of management incentive deed (“MID”) with Seadrill in Q2 2023 of which \$13 million was recognized as cost.

Operating revenues for H1 2024 stood at \$112 million, up by \$38 million (52%) compared to H1 2023 (\$74 million). The revenue increase was primarily driven by the recognition of revenue from previously unbilled services (\$15 million), higher dayrates following market indexation in February 2024 (\$7 million), and lower amortization of favorable contracts (\$8 million) in H1 2024. Furthermore, as previously announced, the comparative operating revenues in 2023 were negatively impacted by downtime on the Courageous and Defender in parts of Q1 2023 (\$9 million).

Opex in H1 2023 was impacted by higher repair and maintenance (“R&M”) costs related to the Courageous and Defender incidents in part of Q1 2023 referred to above and management services from previous shareholder of the Company, Seadrill, while H1 2024 involved higher personnel costs following the termination of these management service contracts. Corporate G&A increased during H1 2024 mainly due to transaction costs incurred related to the IPO and placement of bonds.

Depreciation amounted to \$9 million, slightly up by \$2 million compared to \$7 million in the corresponding period last year.

Income from equity method investments, included in the operating income, primarily represents the Company’s 50% share in the Seagems JV’s net income (net of taxes). Total income from equity method investments during H1 2024 was \$39 million, up from \$27 million same period last year.

Net financial expense decreased to \$35 million in H1 2024, compared to \$45 million in H1 2023. This reduction is primarily due to lower interest expenses in 2024. In H1 2023, the Company accrued higher payment-in-kind ("PIK") interest due to higher interest rates, which contributed to higher financial expenses. Additionally, the full repayment of the Fontis notes in second half of 2023 further reduced interest costs in 2024. Furthermore, in H1 2024, the Company recognized an unrealized foreign exchange gain from the revaluation of provisions for uncertain tax positions ("UTP") in Mexico. This compares with an unrealized foreign exchange loss recorded in H1 2023. However, these favorable factors were partly offset by an accounting gain recognized in 2023 related to the conversion of Archer debt.

Tax expense recorded during H1 2024 amounted to \$8 million compared to \$6 million in H1 2023, mainly driven by movements in the provision for the UTP.

Consolidated **cash and cash equivalents** (Paratus and Fontis) as of Q2 2024 was \$232 million and **net debt** of \$483 million. In comparison, the cash balance and net debt at year-end 2023 were \$115 million and \$601 million, respectively.

Net cash flows from operating activities amounted to \$42 million during H1 2024, compared to \$53 million in the same period in 2023. This change was mainly driven by higher earnings partly offset by increase in receivables in Mexico relative to collections.

Net cash from investing activities of \$33 million during H1 2024 was mainly related to distributions from Seagems of \$38 million to Paratus partly offset by additions to drilling units of \$5 million. In comparison, net cash from investing activities for the same period in 2023 totaled \$44 million, consisting of \$66 million in distributions from Seagems to Paratus, partly offset by additions to drilling units of \$6 million and \$16 million in purchase of marketable securities in Archer.

Net cash from financing activities of \$42 million for H1 2024 was comprised of net proceeds from the private placement in June 2024 of \$73 million, interest income of \$1 million and interest payments of \$32 million. In H1 2024, financing activities comprised of interest income of \$1 million and \$3 million in interest payments related to the Fontis notes. The Company did not pay any interests in H1 2023 related to the 2026 notes as it was only accruing PIK interests.

Subsequent Events

The Board of Directors authorize a cash distribution to shareholders and approve a share repurchase program

On September 10, 2024, the Company announced that the Board of Directors has approved a cash distribution to shareholders of \$0.22 per share to be made on or about 23 September 2024 to all shareholders of record as of 13 September 2024. The distribution will be in the form of return of capital and will be made from the Company's Contributed Surplus account which consists of previously paid in share premium transferred from the Company's Share Premium account. Additionally, the Board of Directors has approved a share repurchase mandate to acquire shares for an amount of up to \$100 million which will provide the Company with flexibility to repurchase shares in the open market. Any share repurchase programs will be announced separately and may be suspended or discontinued at any time.

Share premium reduction

At a Special General Meeting ("SGM") held on September 5, 2024, the Company's shareholders approved the reduction of the Company's share premium account (forming a portion of additional paid in capital in the financial statements of the Company) from \$157,994,017 to \$2,994,017 by the transfer of \$155,000,000 of the share premium account to the Company's contributed surplus account with effect on or around 5 September 2024.

Partial redemption of Senior Secured Notes due 2026 ("2026 notes")

On July 8, 2024, the Company announced that the proceeds from the bond issue was released from escrow and the full amount was used to partially refinance the Company's existing \$715 million 2026 notes. As a result, the remaining aggregate principal amount under the 2026 notes is now approximately \$215 million. The net carrying amount of the 2026 notes as of Q2 2024 was \$665 million, consisting of a notional amount of \$715 million and unamortized discounts and fees totalling \$50 million. Following the partial redemption of the 2026 notes, the carrying amount of the unamortized discounts and fees is expected to be expensed on a prorated basis post-Q2 2024.

Risks and uncertainty

The Group is subject to a range of risks and uncertainties which may affect its business operations and financial condition. The description of key risks and uncertainties in the 2023 Annual report gives a fair description of key risks and uncertainties that may affect the Group in the second half of 2024, and we are not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties, except for those described herein.

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period January 1, to June 30, 2024, has been prepared in accordance with United States Generally Accepted Accounting Principles, or "US GAAP" and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole, and that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements. We have disclosed all major related parties' transactions. A detailed description of the principal risks and uncertainties facing the group is provided in our annual report for the year ended December 31, 2023, as supplemented herein, remain materially unchanged for the remaining six months of the financial year 2024.

The Board of Directors of Paratus Energy Services Ltd.

9 September 2024

Mei Mei Chow
Chair

Ørjan Svanevik
Director

Robert Jensen
Director

James Ayers
Director

Joachim Bale
Director

Paratus Energy Services Ltd.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Three months ended		Six months ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(In \$ millions, except per share amounts)</i>					
Operating revenues					
Operating revenues	4	64.2	45.8	111.8	73.5
Total operating revenues		64.2	45.8	111.8	73.5
Operating expenses					
Rig operating expenses		(24.2)	(22.6)	(47.7)	(49.3)
General and administrative expenses		(6.3)	(3.0)	(8.9)	(7.5)
Depreciation and amortization		(4.6)	(3.8)	(9.3)	(7.5)
Settlement of Management Incentive Deed		-	(12.9)	-	(12.9)
Expected credit gains/(losses)		2.4	0.4	1.7	0.8
Total operating expenses		(32.7)	(41.9)	(64.2)	(76.4)
Income from equity method investments	10	22.6	12.9	38.9	27.2
Operating income		54.1	16.8	86.5	24.3
Financial items					
Interest income		1.2	0.4	1.4	1.6
Interest expense	11	(21.6)	(21.6)	(43.1)	(42.7)
Gain extinguishment of financial instruments		-	7.1	-	7.1
Other financial items		4.1	(2.9)	7.1	(10.8)
Net financial expense		(16.3)	(17.0)	(34.6)	(44.8)
Income/(loss) before income taxes		37.8	(0.2)	51.9	(20.5)
Income tax benefit/(expense)	5	(3.7)	(1.0)	(8.1)	(5.9)
Net income/(loss)		34.1	(1.2)	43.8	(26.4)
Income/(loss) per share:	13				
Basic		0.22	(0.01)	0.28	(0.18)
Diluted		0.22	(0.01)	0.28	(0.18)

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

Paratus Energy Services Ltd.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(In \$ millions)</i>				
Net income/(loss)	34.1	(1.2)	43.8	(26.4)
Other comprehensive income/(loss), net of tax:				
Share of other comprehensive income (loss) from equity method investments	10.5	(4.9)	11.3	(8.9)
Archer convertible bond reclassification		(8.4)		(6.0)
Total other comprehensive loss	44.6	(14.5)	55.1	(41.3)

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

Paratus Energy Services Ltd.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

		At the end of	
		June 30, 2024	December 31, 2023
<i>(In \$ millions, except par value amounts)</i>			
ASSETS			
Current assets			
Cash and cash equivalents	6	232.2	114.7
Accounts receivables, net	4	211.0	169.3
Amounts due from related parties		3.3	3.3
Favorable contracts	4	30.7	30.7
Other current assets	7	29.3	34.0
Total current assets		506.5	352.0
Non-current assets			
Equity method investments	10	367.1	354.5
Drilling units and equipment, net		253.6	258.3
Favorable contracts	4	22.5	37.9
Other non-current assets		0.3	0.3
Total non-current assets		643.5	651.0
Total assets		1,150.0	1,003.0
LIABILITIES AND EQUITY			
Current liabilities			
Trade accounts payable		14.9	18.5
Other current liabilities	5, 8	59.6	29.5
Total current liabilities		74.5	48.0
Non-current liabilities			
Interest-bearing debt, long-term	11	665.3	655.4
Other non-current liabilities	5	65.3	84.7
Total non-current liabilities		730.6	740.1
Equity			
Shareholders' equity		344.9	214.9
Total equity		344.9	214.9
Total liabilities and equity		1,150.0	1,003.0

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

Paratus Energy Services Ltd.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In \$ millions)</i>	Note	Six months ended	
		June 30, 2024	June 30, 2023
Operating Activities			
Income/(loss) before income taxes		51.9	(20.5)
<u>Adjustments to add/(deduct) non-cash items:</u>			
Amortization of favorable contracts	4	15.4	23.2
Depreciation		9.3	7.5
Settlement of Management Incentive Deed (MID)		-	12.9
Income from equity method investments	10	(38.9)	(27.2)
Net interest expense and amortization		41.7	41.1
Loss/(gain) on realization of marketable securities		-	5.6
Unrealized foreign exchange (gain)/loss		(7.1)	(6.3)
Expected credit gains/(losses)		(1.7)	(0.8)
(Gain)/loss on debt extinguishment		-	(7.1)
Share-based compensation		0.1	-
Other		(0.6)	0.9
<u>Change in working capital items and other</u>			
Accounts receivables, net		(40.0)	13.0
Trade accounts payable		(3.6)	1.0
Other assets		4.7	(3.0)
Other liabilities		10.7	13.0
Net cash (used in)/provided by operating activities		41.9	53.3
Investing Activities			
Additions to drilling units and equipment		(4.6)	(6.0)
Investment in equity method investee		-	(16.0)
Distribution from equity method investments		37.6	65.5
Net cash (used in)/provided by investing activities		33.0	43.5
Financing Activities			
Interest on bank deposits		1.4	0.5
Payment of interest on borrowings		(32.2)	(2.7)
Issuance of common shares (net of issue costs)	12	72.6	-
Net cash (used in)/provided by financing activities		41.8	(2.2)
Effect of exchange rate changes on cash and cash equivalents		0.8	0.1
Net increase in cash and cash equivalents		117.5	94.7
Cash and cash equivalents at beginning of period		114.7	94.0
Cash and cash equivalents at end of period		232.2	188.7

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

Paratus Energy Services Ltd.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(In \$ millions)</i>	Common shares	Additional paid- in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
Balances as at January 1, 2024	-	1,290.9	(3.5)	(1,072.5)	214.9
Net income	-	-	-	43.8	43.8
Other comprehensive income	-	-	11.3	-	11.3
Issuance of common shares	-	71.9	-	-	71.9
Balance as at June 30, 2024	-	1,362.8	7.8	(1,028.7)	344.9
Balances as at January 1, 2023	-	1,278.0	6.0	(1,050.0)	234.0
Net loss	-	-	-	(26.4)	(26.4)
Issuance of C-shares in connection with termination of MID	-	12.9	-	-	12.9
Other comprehensive income	-	-	(14.9)	-	(14.9)
Balance as at June 30, 2023	-	1,290.9	(8.9)	(1,076.4)	205.6

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

Note 1 - General information

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Paratus is a holding company of a group of energy services companies and is comprised of its wholly owned subsidiary Fontis Holdings Ltd., previously known as "SeaMex Holdings Ltd". and its subsidiaries (jointly "Fontis"), 50/50 joint venture interest in Seagems (formerly "Seabras Sapura") joint venture, comprising of Seabras Sapura Holding GmbH and Seabras Sapura Participacoes SA, (collectively "Seagems" or the "JV") and its 24.2% ownership in Archer Limited ("Archer"). Paratus is listed on the Euronext Growth Oslo under the ticker "PLSV".

- **Fontis Energy** is a provider of drilling services, operating a fleet of five high-specification jack-up rigs – Defender, Courageous, Intrepid, Oberon, and Titania FE - currently located in Mexico, under contract with a large state-owned company in Mexico.
- **Seagems** is a subsea services company, operating a fleet of six multipurpose pipe-laying support vessels - Diamante, Topazio, Esmeralda, Onix, Jade and Rubi – with capabilities for subsea engineering, installation, and other services, under contract in Brazil.
- **Archer** is a global oil services company which operates in 40 locations providing drilling services, well integrity and intervention, plug and abandonment and decommissioning to its upstream oil and gas clients. Archer is listed on the Euronext Oslo Stock Exchange under the ticker "ARCH".

Note 2 - Basis of presentation and accounting policies

Basis of presentation

These unaudited interim condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The unaudited interim condensed consolidated financial statements do not include all of the disclosures required under U.S. GAAP in the annual consolidated financial statements and should be read in conjunction with our audited annual consolidated financial statements and notes for the year ended December 31, 2023.

The amounts are presented in millions of United States dollars ("U.S. dollar" or "\$"), unless otherwise stated.

The financial statements have been prepared on a going concern basis and in management's opinion, all adjustments necessary for a fair presentation of the financial statements are reflected in the interim periods presented.

Certain line items in these unaudited interim condensed consolidated financial statements have been renamed to better align with the nature of the accounts and internal reporting.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited consolidated financial statements for the three and six months ended June 30, 2024 are consistent with those as described in our annual audited consolidated financial statements for the year ended December 31, 2023.

Use of estimates

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

Subtotals and totals in some of the tables included in these interim financial statements may not equal the sum of the amounts shown due to rounding.

Change in presentation of income from equity investments in the Statements of operations

The Company accounts for its investments in the Seagems JV applying the equity method. Until the 2023 annual report, the Company's share of income from Seagems was presented under "Financial items and other" in the Statements of Operations. However, after evaluating the relevant facts and circumstances, the Company has decided to present its share of income from Seagems in a separate line within operating income, effective January 1, 2024. This change reflects the view that the operations of the Company's investment in Seagems is "integral" to our business. The Company believes this adjustment will provide users of our financial statements with more relevant information and aligns with industry practices. Comparative figures have been updated accordingly. The Company's share in income from Archer is presented in the same manner, based on a materiality assessment.

Note 3 - Segments

From January 1, 2024, the Company reports its operations under three segments: Fontis, Seagems (formerly known as "Seabras"), and Other. This change (i.e., presenting Seagems JV operating results and the Company 50% share of the JV) reflects the view that the operations of the JV are "integral" to our business. The Company believes this adjustment will provide users of our financial statements with more relevant information and aligns with industry practices.

Fontis Holdings Ltd., previously known as SeaMex Holdings Ltd. and its subsidiaries (jointly "Fontis"), a wholly-owned subsidiary of Paratus, is a provider of drilling services, operating a fleet of five high-specification jack-up rigs – *Defender*, *Courageous*, *Intrepid*, *Oberon*, and *Titania FE* - currently located in Mexico, under contract with a large state-owned company in Mexico.

The Seagems segment represents the Company's 50/50 joint venture interest in Seagems joint venture, comprising of Seabras Sapura Holding GmbH and Seabras Sapura Participacoes SA, (collectively "Seagems" or the "JV"). Seagems is a subsea services company, operating a fleet of six multipurpose pipe-laying support vessels - *Diamante*, *Topazio*, *Esmeralda*, *Onix*, *Jade* and *Rubi* – with capabilities for subsea engineering, installation, and other services, under contract in Brazil. The full operating results included below for Seagems are not included within our consolidated results and are thus adjusted for under "Seagems (50% share)" and "Reconciling Items" and replaced with our equity in earnings of the equity method investment.

The Other segment includes our 24.2% ownership in Archer which is accounted for as an equity method investment as well as general corporate activities.

The following tables provide disclosures of the key metrics used by the chief operating decision maker ("CODM") when assessing the operations of the business.

Three months ended						
June 30, 2024						
(In \$ millions)	Seagems JV (100% share)	Seagems (50% share)	Reconciling Items	Fontis	Other	Consol. Total
Contract revenues	104.3	52.2	(52.2)	71.8		71.8
Amortization of favorable contracts		-	-	(7.6)		(7.6)
Tax on revenues	(7.4)	(3.6)	3.6			-
Operating revenues	96.9	48.5	(48.5)	64.2	-	64.2
Rig / Vessel operating expenses	(35.0)	(17.4)	17.4	(23.9)	(0.3)	(24.2)
General and administrative exp.	(5.9)	(3.0)	3.0	(1.1)	(5.1)	(6.3)
Other operating expenses	(0.4)	(0.2)	0.2	2.4		2.4
Depreciation and amortization	(20.7)	(10.4)	10.4	(4.6)		(4.6)
Income from equity method inv.				-	22.6	22.6
Operating income	34.9	17.6	(17.6)	37.0	17.2	54.1
Financial items, net	6.1	3.1	(3.1)	5.3	(21.6)	(16.3)
Income tax benefit/(expense)	(1.5)	(0.8)	0.8	(3.7)		(3.7)
Net income/(loss)	39.5	19.9	(19.9)	38.6	(4.4)	34.1
Three months ended						
June 30, 2023						
(In \$ millions)	Seagems JV (100% share)	Seagems (50% share)	Reconciling Items	Fontis	Other	Consol. Total
Contract revenues	113.3	56.7	(56.7)	53.5		53.5
Amortization of favorable contracts		-	-	(7.7)		(7.7)
Tax on revenues	(5.3)	(2.7)	2.7			-
Operating revenues	108.0	54.0	(54.0)	45.8	-	45.8
Rig / Vessel operating expenses	(24.4)	(12.2)	12.2	(21.6)	(1.0)	(22.6)
General and administrative exp.	(6.6)	(3.3)	3.3	(2.0)	(0.9)	(3.0)
Other operating expenses	0.6	0.3	(0.3)	0.4	(12.9)	(12.5)
Depreciation and amortization	(20.3)	(10.2)	10.2	(3.8)	-	(3.8)
Income from equity method inv.		-		-	12.9	12.9
Operating income	57.3	28.7	(28.7)	18.8	(1.9)	16.9
Financial items, net	(20.3)	(10.2)	10.2	(3.7)	(13.3)	(17.0)
Income tax benefit/(expense)	(0.3)	(0.2)	0.2	(1.0)		(1.0)
Net income/(loss)	36.7	18.4	(18.4)	14.1	(15.2)	(1.2)

Note 3 - Segments (continued)

	Six months ended					Consol. Total
	June 30, 2024					
	Seagems JV (100% share)	Seagems (50% share)	Reconciling Items	Fontis	Other	
<i>(In \$ millions)</i>						
Contract revenues	210.6	105.3	(105.3)	127.2		127.2
Amortization of favorable contracts		-	-	(15.4)		(15.4)
Tax on revenues	(13.4)	(6.7)	6.7			-
Operating revenues	197.2	98.6	(98.6)	111.8	-	111.8
Rig / Vessel operating expenses	(74.0)	(37.0)	37.0	(47.0)	(0.7)	(47.7)
General and administrative exp.	(12.5)	(6.3)	6.3	(2.6)	(6.3)	(8.9)
Other operating expenses	(0.3)	(0.2)	0.2	1.7		1.7
Depreciation and amortization	(41.5)	(20.8)	20.8	(9.3)	-	(9.3)
Income from equity method inv.		-	-	-	38.9	38.9
Operating income	68.9	34.5	(34.5)	54.6	31.9	86.5
Financial items, net	6.0	3.0	(3.0)	8.3	(42.9)	(34.6)
Income tax benefit/(expense)	(1.1)	(0.6)	0.6	(8.1)		(8.1)
Net income/(loss)	73.8	36.9	(36.9)	54.8	(11.0)	43.8

	Six months ended					Consol. Total
	June 30, 2023					
	Seagems JV (100% share)	Seagems (50% share)	Reconciling Items	Fontis	Other	
<i>(In \$ millions)</i>						
Contract revenues	221.7	110.9	(110.9)	96.7		96.7
Amortization of favorable contracts		-	-	(23.2)		(23.2)
Tax on revenues	(10.2)	(5.1)	5.1			-
Operating revenues	211.5	105.8	(105.8)	73.5	-	73.5
Rig / Vessel operating expenses	(58.9)	(29.5)	29.5	(50.1)	0.8	(49.3)
General and administrative exp.	(13.9)	(7.0)	7.0	(4.8)	(2.7)	(7.5)
Other operating expenses	0.4	0.2	(0.2)	0.8	(12.9)	(12.1)
Depreciation and amortization	(40.4)	(20.2)	20.2	(7.5)	-	(7.5)
Income from equity method inv.		-	-	-	27.2	27.2
Operating income	98.7	49.4	(49.4)	11.9	12.4	24.3
Financial items, net	(23.7)	(11.9)	11.9	(6.9)	(37.9)	(44.8)
Income tax benefit/(expense)	(4.7)	(2.4)	2.4	(5.9)		(5.9)
Net income/(loss)	70.3	35.2	(35.2)	(0.9)	(25.5)	(26.4)

	June 30, 2024					
	Seagems JV (100% share)	Seagems (50% share)	Reconciling Items	Fontis	Other	Consol. Total
<i>(In \$ millions)</i>						
Cash and cash equivalent	27.4	13.7	(13.7)	101.3	130.9	232.2
Equity method investments		-	-	-	367.1	367.1
Total assets	1,506.3	753.2	(753.2)	648.0	502.0	1,150.0
Interest-bearing debt (notional)	96.6	48.3	(48.3)	-	715.4	715.4

	December 31, 2023					
	Seagems JV (100% share)	Seagems (50% share)	Reconciling Items	Fontis	Other	Consol. Total
<i>(In \$ millions)</i>						
Cash and cash equivalent	38.1	19.1	(19.1)	55.0	59.7	114.7
Equity method investments		-	-	-	354.5	354.5
Total assets	1,497.1	748.6	(748.6)	587.2	415.8	1,003.0
Interest-bearing debt (notional)	102.5	51.2	(51.2)	-	715.4	715.4

Note 4 - Revenue from contracts with customers

In the three and six months ended June 30, 2024 and 2023 the Company had only one customer with external contract revenues. During the same periods all of our operating drilling units were located in one geographic location, Mexico.

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(In \$ millions)</i>				
Contract revenues	71.8	53.5	127.2	96.7
Amortization of favorable contracts	(7.6)	(7.7)	(15.4)	(23.2)
Operating revenues	64.2	45.8	111.8	73.5

The following tables provide information about trade receivables and favorable contracts related to our contracts with customers:

	June 30, 2024	December 31, 2023
<i>(In \$ millions)</i>		
Account receivables	215.1	175.1
Less: Allowance for credit losses	(4.1)	(5.8)
Account receivables, net	211.0	169.3

	June 30, 2024	December 31, 2023
<i>(In \$ millions)</i>		
Favorable contracts	171.9	171.9
Less: Accumulated amortization	(118.7)	(103.3)
Favorable contracts, net	53.2	68.6
Less: Favorable contracts - current	30.7	30.7
Favorable contracts - non-current	22.5	37.9

Changes in the favorable contract asset during the period are as follows:

Balance as of January 1, 2024	68.6
Amortization of favorable contracts	(15.4)
Balance as of June 30, 2024	53.2

The amortization is recognized in the condensed consolidated statement of operations as an adjustment to revenue of favorable contracts. The average remaining amortization period for the favorable contracts is 22 months.

Note 5 - Taxation and provisions for uncertain tax positions

Income tax expense mainly relates to withholding taxes and movements in provision for uncertain tax positions ("UTP") in Mexico.

Uncertain Tax Positions in Mexico ("UTP")

As disclosed in the latest audited annual report, the Company is in the process of negotiating a settlement with the Mexican tax authorities ("SAT") in respect of unsettled tax liabilities for years of account from 2014, 2018 and 2019, together with interest and penalties for late payments.

In 2023, the tax liabilities relating to 2016 tax audit were resolved and settled for approximately \$9 million. After Q2 2024, the tax liabilities relating to 2017 tax audit were resolved and settled for approximately \$13 million. For the tax years that are currently open or have not yet been audited, the Company's estimate is based on the best of our knowledge available at the time of making the estimate, work performed by the tax advisors and upon the results from the concluded tax audit as it has been assumed similar facts and circumstances apply to all periods.

The provision for UPT as of June 30, 2024 was \$80.8 million (December 31, 2023: \$85.3 million) and is included in "Other-current liabilities" (\$15.6 million) and "Other non-current liabilities" (\$65.2 million) on the balance sheet. Included in the provision for UTP is accrued interest and penalties totaling \$40.5 million (December 31, 2023: \$41.3 million). The movement in the UTP provision compared to year-end 2023 was mainly driven by fluctuations in foreign currency rate (included in "Other financial items"), inflation adjustment and accrual for interests (included in "Income tax expense").

Note 6 - Cash and cash equivalents

<i>(In \$ millions)</i>	June 30, 2024	December 31, 2023
Cash and cash equivalents, non-restricted	208.9	91.7
Cash and cash equivalents, restricted	23.3	23.0
Total cash and cash equivalents	232.2	114.7

Restricted cash represents cash collateral supporting performance guarantees issued to a large national oil company in Mexico.

Note 7 - Other current assets

Other current assets consist of the following:

<i>(In \$ millions)</i>	June 30, 2024	December 31, 2023
VAT asset	16.4	20.7
Taxes receivable	10.4	11.3
Prepaid expenses	2.5	2.0
Total other current assets	29.3	34.0

Note 8 - Other current liabilities

Other current liabilities consist of the following:

<i>(In \$ millions)</i>	June 30, 2024	December 31, 2023
VAT liability	15.3	11.5
Taxes payable	19.0	7.6
Employee withheld taxes and social security	0.8	4.4
Other current liabilities	8.9	6.0
Uncertain tax positions (UTP) provision	15.6	-
Total other current liabilities	59.6	29.5

Note 9 - Fair values of financial instruments

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

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

Level 1: Quoted prices for identical instruments in active markets

Level 2: Quoted market prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant inputs or significant value drivers are unobservable.

Certain of our assets and liabilities are required to be measured at fair value on a recurring basis in accordance with US GAAP. Assets and liabilities measured at fair value are summarized below:

(In \$ millions)

	Level	June 30, 2024		December 31, 2023	
		Fair value	Carrying value	Fair value	Carrying value
Assets					
Related party loans receivables – Seagems loans receivables	2	3.0	3.3	3.0	3.3
Liabilities					
\$620m of Senior Secured Notes (*)	1	716.9	665.3	699.0	655.4

(*) These instruments are at a fixed interest rate

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, related party payables and accounts payable are by their nature short-term. As a result, the carrying values included in the Condensed Consolidated Balance Sheets approximate fair value. These assets and liabilities are categorized as Level 1 on the fair value measurement hierarchy.

Related party loans receivables - Seagems loans receivable

We estimate the fair value of the related party loans receivable from Seagems to be equal to the carrying value after adjusting for expected credit losses. The debt is not freely tradeable 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.

\$620m of Senior Secured Notes

The fair value of the senior secured notes were derived using market traded value, and as such, we have categorized this at Level 1 on the fair value measurement hierarchy. Refer to Note 13 – Debt for further information.

Note 10 - Equity method investments

Our equity method investments as of June 30, 2024 and December 31, 2023 are comprised as follows:

	June 30 2024	December 31, 2023
Ownership percentage		
Seagems	50.0 %	50.0 %
Archer	24.2 %	24.2 %

The tables below set for the results of these entities, and our share in the results of these equity method investments:

	Seagems			
	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(In \$ millions, except ownership percentage)</i>				
Operating revenues	96.9	113.3	210.6	221.7
Operating income	34.9	57.3	68.9	98.7
Net income/(loss)	39.5	36.7	73.8	70.3
Company's ownership percentage	50.0 %	50.0 %	50.0 %	50.0 %
Share of net income/(loss)	19.8	18.4	36.9	35.2
Amortization of basis differences	2.4	(2.5)	4.2	(5.0)
Share in results of Seagems	22.2	15.9	41.1	30.1

	Archer			
	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(In \$ millions, except ownership percentage)</i>				
Operating revenues	309.0	87.2	617.3	87.2
Operating income	15.5	14.4	33.4	14.4
Net income / (loss)	1.0	(12.9)	(9.8)	(12.9)
PES ownership percentage *	24.2 %	24.2 %	24.2 %	24.2 %
Share of net income/(loss)	0.2	(3.1)	(2.4)	(3.1)
Amortization of basis differences	0.2	0.2	0.2	0.2
Share in results of Archer	0.4	(2.9)	(2.2)	(2.9)

* On April 20, 2023, the Company exchanged Archer convertible debt in exchange for new common shares issued. As a result of the conversion, the Company's holding in Archer increased to 24.4%. Prior to the conversion in April 2023, the investment in Archer was accounted for as a marketable security. Archer results are shown for the period from April 20, 2023 to June 30, 2023 in the comparative periods.

The summarized balance sheets of our equity method investments and our share of recorded equity in these entities is as follows:

	Seagems		Archer	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
	<i>(In \$ millions, except ownership percentage)</i>			
Current assets	233.3	192.3	358.6	354.8
Non-current assets	1,273.0	1,304.8	530.3	550.9
Current liabilities	(237.6)	(309.0)	(283.1)	(277.5)
Non-current liabilities	(120.5)	(126.3)	(424.1)	(432.0)
Net Assets (gross, 100%)	1,148.2	1,061.8	181.3	196.2
Company's ownership percentage	50.0 %	50.0 %	24.2 %	24.2 %
Company's share of book equity	574.1	530.9	43.9	47.5
Shareholder loans held as equity	20.3	57.6	-	-
Basis difference	(266.2)	(276.1)	(4.9)	(5.4)
Carrying amount equity method investments	328.2	312.4	38.9	42.1

Note 11 - Interest-bearing debt

As of June 30, 2024 and December 31, 2023 the carrying value of our debt, all long-term, was comprised as follows:

<i>(In \$ millions)</i>	Interest Rate	Maturity Date	Carrying Amount	
			June 30, 2024	December 31, 2023
\$620m Senior Secured Notes plus PIK interest	9.00%	15/07/2026	715.4	715.4
Total interest-bearing debt			715.4	715.4
Less: Unamortized debt issuance costs			(50.1)	(60.0)
Total interest-bearing debt, net			665.3	655.4
Less: Current portion, net			-	-
Long-term interest-bearing debt, net			665.3	655.4

The key terms relating to our debt in the year ended December 31, 2023 and June 30, 2024 are explained below.

\$620m Senior Secured Notes

Secured Notes were issued on January 20, 2022 and due July 15, 2026. At 30 June 30, 2024, the outstanding notional balance of \$715 million comprises Senior Secured Notes principal of \$620 million and \$96 million accrued PIK interest (unchanged from year-end 2023). The carrying amount of the Senior Secured Notes are presented net of unamortized discount and debt issuance costs.

Note 12 - Share capital

On May 21, 2024, the Company, with the approval of its shareholders, undertook and completed a share split of its existing A-shares into 500 class A-shares, via the following steps:

i. with effect from March 15, 2024, the Class C shares of US \$0.01 each in the Company were redesignated to Class A shares of US \$0.01 each in the Company; and

ii. with effect from May 21, 2024, each of the Class A shares of US\$0.01 each in the Company, were split into 500 A shares of US\$0.00002 each.

The number of shares outstanding and share equivalents have been retroactively restated for this change.

On June 26, 2024, the Company the Company isused 15,309,059 new shares.

Following the above, Paratus, had total Class A common shares of 169,325,049 at par value of US \$0.00002 each.

	June 30, 2024	December 31, 2023
Class A ordinary shares	169,325,049	142,849,991
Class C ordinary shares	-	11,165,999

Note 13 - Earnings per share (EPS)

The computation of basic income/(loss) per share ("EPS") is based on the weighted average number of shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net income/(loss) by the weighted average number of shares outstanding during the period, plus the weighted average number of ordinary shares that would be outstanding if all the dilutive potential ordinary shares were issued.

The following reflects the net income/(loss) and share data used in the earnings per share calculation:

	Three months ended		Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(in USD million, except share and per share amounts)</i>				
Net income/(loss)	34.1	(1.2)	43.8	(26.4)
Weighted average numbers of shares outs. (basic)	154,857,157	147,390,022	154,436,579	145,132,552
Weighted average numbers of shares outs. (diluted)	154,857,157	147,390,022	154,436,579	145,132,552
Earnings per share:				
Basic	0.22	(0.01)	0.28	(0.18)
Diluted	0.22	(0.01)	0.28	(0.18)

Note 14 - Subsequent events

The Board of Directors authorize a cash distribution to shareholders and approve a share repurchase program

On September 10, 2024, the Company announced that the Board of Directors has approved a cash distribution to shareholders of \$0.22 per share to be made on or about 23 September 2024 to all shareholders of record as of 13 September 2024. The distribution will be in the form of return of capital and will be made from the Company's Contributed Surplus account which consists of previously paid in share premium transferred from the Company's Share Premium account. Additionally, the Board of Directors has approved a share repurchase mandate to acquire shares for an amount of up to \$100 million which will provide the Company with flexibility to repurchase shares in the open market. Any share repurchase programs will be announced separately and may be suspended or discontinued at any time.

Share premium reduction

At a Special General Meeting ("SGM") held on September 5, 2024, the Company's shareholders approved the reduction of the Company's share premium account (forming a portion of additional paid in capital in the financial statements of the Company) from \$157,994,017 to \$2,994,017 by the transfer of \$155,000,000 of the share premium account to the Company's contributed surplus account with effect on or around 5 September 2024.

Partial redemption of Senior Secured Notes due 2026 ("2026 notes")

On July 8, 2024, the Company announced that the proceeds from the bond issue was released from escrow and the full amount was used to partially refinance the Company's existing \$715 million 2026 notes. As a result, the remaining aggregate principal amount under the 2026 notes is now approximately \$215 million. The net carrying amount of the 2026 notes as of Q2 2024 was \$665 million, consisting of a notional amount of \$715 million and unamortized discounts and fees totalling \$50 million. Following the partial redemption of the 2026 notes, the carrying amount of the unamortized discounts and fees is expected to be expensed on a prorated basis post-Q2 2024.

Alternative performance measures

The Group discloses certain alternative performance measures ("APM") as a supplement to the financial statement prepared in accordance with US GAAP. These measures provide additional insight into the Group's operating performance, financing, and future prospects, often used by analysts, investors, and other stakeholders.

Other companies may not calculate the APMs in the same manner, and, as a result, the presentation thereof may not be fully comparable to measures used by other companies under the same or similar titles. Accordingly, undue reliance should not be placed on the APMs contained below and should not be considered as a substitute for revenue or other financial metrics

	Note	Three months ended		Six months ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<i>(In \$ millions)</i>					
Calculation of adjusted EBITDA					
Contract revenues		71.8	53.5	127.2	96.7
Rig operating expenses		(24.2)	(22.6)	(47.7)	(49.3)
General and administrative expenses		(6.3)	(3.0)	(8.9)	(7.5)
Adjusted EBITDA (consolidated)		41.4	28.0	70.6	39.9
Contract revenues	3	52.2	56.7	105.3	110.9
Tax on revenues		(3.6)	(2.7)	(6.7)	(5.1)
Vessel operating expenses		(17.4)	(12.2)	(37.0)	(29.5)
General and administrative expenses		(3.0)	(3.3)	(6.3)	(7.0)
Adjusted EBITDA (50% Seagems)		28.1	38.5	55.4	69.4
Adjusted EBITDA (including 50% Seagems)		69.5	66.5	126.0	109.3

	June 30, 2024	December 31 2023
<i>(In \$ millions)</i>		
Net debt		
Interest-bearing debt (notional amount)	715.4	715.4
Paratus	715.4	715.4
Fontis	-	-
Less: Cash and cash equivalents	232.2	114.7
Paratus	130.9	59.7
Fontis	101.3	55.0
Net debt	483.2	600.7
50% of Seagems interest-bearing debt (notional amount)	48.3	51.2
Less: 50% of Seagems cash and cash equivalents	13.7	19.1
50% of Seagems net debt	34.6	32.2
Net debt (as per management reporting)	517.8	632.9

Alternative performance measures (Continued)

Definitions and explanations of APMs

EBITDA is an abbreviation of "Earnings Before Interest, Income taxes, Depreciation and Amortization" and represents net income/(loss) before net interest expense, income taxes, depreciation and amortization.

Adjusted EBITDA, as applied by the Company, represents EBITDA excluding certain non-cash items such as expected credit gains/(losses), impairment charges, amortization of favorable contracts, and other items that the Company believes are not indicative of ongoing performance of its core operations. The Company presents this APM as it provides useful supplemental information about the financial performance of its business, enables comparison of financial results between periods where certain items may vary independent of business performance, and allows for greater transparency with respect to key metrics used by management in operating our business and measuring our performance. Further, it may provide comparability to similarly titled measures of other companies.

Net debt is defined as external interest-bearing debt, excluding any unamortized discounts, less cash and cash equivalents. The Company presents this APM as it is a useful indicator of the Group's net interest-bearing indebtedness as it indicates the level of borrowings after taking into account cash that could be utilised to pay down outstanding borrowings.

Management reporting represents the Company's internal financial and operational performance assessment. In this context, Seagems' financial results are presented using proportional consolidation of accounting. However, in our financial reporting under US GAAP, Seagems' financial results are reported using the equity method, presented under "Income from equity method investments." Additionally, in management reporting, operating revenues include contract revenues before amortization of favorable contracts for Fontis and exclude revenue taxes for Seagems.

Additionally, the Group uses other performance indicators that are not considered to be an APM, but is important for assessing the Group's performance:

Contract backlog represents the sum of estimated undiscounted revenue related to secured contracts. Contract backlog may be subject to price indexation clauses or other factors that may intervene with and/or result in delays in revenue realization, and it does not include potential growth or value of non-declared options within existing contracts.

Technical utilization is based on actual operating days versus actual available days excluding days at yard for periodical maintenance, upgrading, transit or idle time between contracts.