UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from to

Commission File Number: 333-212081

Vantage Drilling International
(Exact name of registrant as specified in its charter)

Cayman Islands **(State or Other Jurisdiction of Incorporation or Organization)**	**98-1372204** **(I.R.S. Employer Identification No.)**
c/o Vantage Energy Services, Inc. **777 Post Oak Boulevard, Suite 800, Houston, Texas** **(Address of Principal Executive Offices)**	**77056** **(Zip Code)**

Registrant's telephone number, including area code: (281) 404-4700

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Securities registered pursuant to 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of the registrant's Ordinary Shares outstanding as of February 24, 2020 is 13,115,026 shares.

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

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SAFE HARBOR STATEMENT

This Annual Report on Form 10-K (this "Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. These forward-looking statements are included throughout this Annual Report, including under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." When used, statements which are not historical in nature, including those containing words such as "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "would," "will," "future" and similar expressions are intended to identify forward-looking statements in this Annual Report.

These forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements.

Among the factors that could cause actual results to differ materially are the risks and uncertainties described under "Item 1A. Risk Factors," under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the following:

- reduced expenditures by oil and natural gas exploration and production companies;
- general economic conditions and conditions in the oil and gas industry;
- competition within our industry;
- excess supply of drilling units worldwide;
- operations in international markets, including geopolitical risk, applicability of foreign laws, including foreign labor and employment laws, foreign tax and customs regimes, and foreign currency exchange rate risk;
- growing focus on climate change and its impact on the reputation of fossil fuel products or services;
- operating hazards in the offshore drilling industry;
- ability to obtain indemnity from customers;
- adequacy of insurance coverage upon the occurrence of a catastrophic event;
- identifying and completing acquisition opportunities;
- the sufficiency of our internal controls;
- any non-compliance with the FCPA and any other anti-corruption laws;
- effects of new products and new technology on the market;
- the occurrence of cybersecurity incidents, attacks or other breaches to our information technology systems;
- our small number of customers;
- termination or renegotiation of our customer contracts;
- governmental, tax and environmental regulations and related legal matters, including the results and effects of legal proceedings and governmental audits, assessments and investigations;
- changes in the status of pending, or the initiation of new, litigation, claims or proceedings;
- changes in legislation removing or increasing current applicable limitations of liability;
- our ability to prevail in the defense of any appeal by the Petrobras Parties due to legal, procedural and other risks associated with confirming and enforcing arbitration awards in such circumstances;
- limited mobility of our drilling units between geographic regions;
- levels of operating and maintenance costs;
- our dependence on key personnel;
- availability of workers and the related labor costs;
- increased cost of obtaining supplies;

- changes in tax laws, treaties or regulations;
- credit risks of our key customers and certain other third parties;
- our level of indebtedness;
- our ability to incur additional indebtedness;
- compliance with restrictions and covenants in our debt agreements; and
- our incorporation under the laws of the Cayman Islands and the limited rights to relief that may be available compared to U.S. laws.

Many of these factors are beyond our ability to control or predict. Any, or a combination of these factors, could materially affect our future financial condition or results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially from those projected in the forward-looking statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or prior earnings levels.

In addition, each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements. We may not update these forward-looking statements, even if our situation changes in the future. All forward-looking statements attributable to us are expressly qualified by these cautionary statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in filings we may make with the SEC, which may be obtained by contacting us or the SEC. These filings are also available through our website at www.vantagedrilling.com or through the SEC's Electronic Data Gathering and Analysis Retrieval system ("EDGAR") at www.sec.gov. The contents of our website are not part of this Annual Report.

Unless the context indicates otherwise, all references to the "Company," "Vantage Drilling International," "we," "our" or "us" refer to Vantage Drilling International and its consolidated subsidiaries. References to "VDI" refer to Vantage Drilling International, a Cayman Islands exempted company.

GLOSSARY OF TERMS

The following terms used in this Annual Report have the following meanings, unless specified elsewhere in this Annual Report:

Abbreviation/Acronym	Definition
10% Second Lien Notes	The Company's 10% Senior Secured Second Lien Notes due 2020
2016 Amended MIP	The Company's Amended and Restated 2016 Management Incentive Plan
2016 Term Loan Facility	The Company's initial term loans in place in connection with the Reorganization Plan
9.25% First Lien Notes	The Company's 9.25% Senior Secured First Lien Notes due November 15, 2023
ADVantage	ADVantage Drilling Services SAE, a joint venture owned 51% by the Company and 49% by ADES International Holding Ltd., a London-listed offshore and onshore provider of oil and gas drilling and production services in the Middle East and Africa
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bassoe	Bassoe Offshore A.S.
Board of Directors	The Company's board of directors
Comparable Year	The year ended December 31, 2018
Conversion	The conversion of all of the Convertible Notes into Ordinary Shares
Convertible Notes	The Company's 1%/12% Step-Up Senior Secured Third Lien Convertible Notes due 2030
Current Year	The year ended December 31, 2019
DOJ	U.S. Department of Justice
Drilling Contract	The Agreement for the Provision of Drilling Services for the *Titanium Explorer,* dated February 4, 2009, between PVIS and VDEEP (and subsequently novated to PAI and VDDI)
EBITDA	Earnings before interest, taxes and depreciation and amortization
Effective Date	February 10, 2016, the date the Company emerged from bankruptcy
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FCPA	U.S. Foreign Corrupt Practices Act, as amended
Indenture	First Lien Indenture, dated as of November 30, 2018, by and between Vantage Drilling International and U.S. Bank National Association
Investment Company Act	Investment Company Act of 1940, as amended
IRS	U.S. Internal Revenue Service
LSTC	Liabilities Subject to Compromise
MPD	Managed pressure drilling system
New Shares	Shares issued by the reorganized Company
Non-U.S. Holder	A beneficial owner of the Ordinary Shares (other than a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder
Offer	An offer by the Company to repurchase up to $75.0 million of the 9.25% First Lien Notes
Offer Expiration Date	11:59 pm (New York City time) on August 2, 2019
OPEC	The Organization of the Petroleum Exporting Countries
Ordinary Shares	The Company's ordinary shares, par value $0.001 per share
PAI	Petrobras America, Inc.
PBGs	Performance-based restricted stock units
Petrobras	Petroleo Brasileiro S.A.
Petrobras Agreement	The agreement among VDEEP and VDDI, on the one hand, and the Petrobras Parties, on the other, relating to the Petrobras Award issued in favor of VDEEP and VDDI
Petrobras Award	The award issued by an international arbitration tribunal to VDEEP and VDDI with respect to the Petrobras Parties' breach of the Drilling Contract
Petrobras Parties	Collectively, Petrobras, PAI and PVIS
PIK	Payment-in-kind
PVIS	Petrobras Venezuela Investments & Services, BV
QLE	A qualified liquidity event as defined in the 2016 Amended MIP
Reorganization Plan	The Company's pre-packaged plan of reorganization under Chapter 11 of Title 11 of the U.S. Bankruptcy Code
Restructuring Agreement	The restructuring support agreement among VDC and a majority of the Company's secured creditors

ROU	Right-of-use
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Tax Election	Tax election filed with the IRS on January 22, 2020, to allow VDI to be treated as a partnership, rather than a corporation, for U.S. federal income tax purposes, with an effective date retroactive to December 9, 2019
TBGs	Time-based restricted stock units
TEV	Total enterprise value
U.S.	United States of America
Delaware Federal Court	U.S. District Court for the District of Delaware
U.S. District Court – Texas	U.S. District Court for the Southern District of Texas
U.S. GAAP	Accounting principles generally accepted in the United States of America
U.S. Holder	A beneficial owner of the Ordinary Shares that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) that was organized under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust, if a U.S. court can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or such trust has a valid election in effect under applicable treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes
U.S. Tax Act	Public Law 115-97 enacted on December 22, 2017, commonly known as the Tax Cuts and Jobs Act of 2017
USD or $	U.S. Dollar
VDC	Vantage Drilling Company, the Company's former parent company
VDC Note	A $61.5 million promissory note issued by the Company in favor of VDC
VDDI	Vantage Deepwater Drilling, Inc.
VDI	Vantage Drilling International, the Company's parent company
VDEEP	Vantage Deepwater Company
VIE	Variable interest entity

PART I

Item 1. Business.

Our Company

Vantage Drilling International is an international offshore drilling company focused on operating a fleet of modern, high specification drilling units. Our principal business is to contract drilling units, related equipment and work crews, primarily on a dayrate basis to drill oil and natural gas wells for our customers. Through our fleet of drilling units, we are a provider of offshore contract drilling services to major, national and independent oil and natural gas companies, focused on international markets. Additionally, for drilling units owned by others, we provide construction supervision services for rigs that are under construction, preservation management services for rigs that are stacked and operations and marketing services for operating rigs.

Our Fleet

Jackups

A jackup rig is a mobile, self-elevating drilling platform equipped with legs that are lowered to the ocean floor until a foundation is established for support, at which point the hull is raised out of the water into position to conduct drilling and workover operations. All of our premium jackup rigs were built at PPL Shipyard in Singapore. The design of our premium jackup rigs is the Baker Marine Pacific Class 375. These units are ultra-premium jackup rigs with independent legs capable of drilling in up to 375 feet of water, a cantilever drilling floor and a total drilling depth capacity of approximately 30,000 feet.

Drillships

Drillships are self-propelled and suited for drilling in remote locations because of their mobility and large load carrying capacity. While all of our drillships are dynamically positioned and designed for drilling in water depths of up to 12,000 feet, with a total vertical drilling depth capacity of up to 40,000 feet, the *Platinum Explorer, Titanium Explorer* and *Tungsten Explorer* are currently equipped to drill in 10,000 feet of water. Each drillship's hull design has a variable deck load in excess of 20,000 tons and measures approximately 781 feet long by 138 feet wide. All of our drillships were built at Daewoo Shipbuilding & Marine Engineering shipyard in South Korea.

The following table sets forth certain information concerning our offshore drilling fleet as of February 24, 2020.

Name	Year Built	Water Depth Rating (feet)	Drilling Depth Capacity (feet)	Location	Status
Jackups					
Emerald Driller	2008	375	30,000	Qatar	Operating
Sapphire Driller	2009	375	30,000	Congo	Operating
Aquamarine Driller	2009	375	30,000	Malaysia	Operating
Topaz Driller	2009	375	30,000	Gabon	Operating
Soehanah	2007	375	30,000	Indonesia	Contract Preparation (1)
Drillships (2)					
Platinum Explorer	2010	12,000	40,000	India	Operating
Titanium Explorer	2012	12,000	40,000	South Africa	Warm stacked
Tungsten Explorer	2013	12,000	40,000	Mediterranean	Contract Preparation

(1) The *Soehanah* recently completed a bareboat charter to an affiliate of P.T. Apexindo Pratama Duta Tbk. and is currently preparing for drilling operations in Indonesia.

(2) The drillships are designed to drill in up to 12,000 feet of water. The *Platinum Explorer, Titanium Explorer* and *Tungsten Explorer* are currently equipped to drill in 10,000 feet of water.

Recent Developments

Drilling Contract Arbitration

On June 20, 2019, VDEEP and VDDI entered into the Petrobras Agreement with the Petrobras Parties relating to the Petrobras Award. See "*Note 9. Commitments and Contingencies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report for further information. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 1.

For the year ended December 31, 2019, we recognized approximately $594.0 million in “Contract termination revenue” and $106.9 million in “Interest income” associated with the Petrobras Payments (as defined in “*Note 9. Commitments and Contingencies*” of the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report*)*. For the year ended December 31, 2019, an incremental $63.4 million was recognized in “General and administrative” for the remaining contingency fee associated with the Payment.

Repurchase Offer

On July 8, 2019, we commenced an offer to repurchase (the “Repurchase Offer”) up to $75.0 million of the 9.25% First Lien Notes. See “*Note 6. Debt*” of the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report for further information regarding the Repurchase Offer. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 1.

Conversion of Convertible Notes

On November 18, 2019, we announced that the Board of Directors had approved the Conversion effective December 4, 2019. See “*Note 6. Debt*” of the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report for further information regarding the Conversion. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 1.

Special Cash Distribution

On November 18, 2019, we announced that the Board of Directors declared a special cash distribution in the aggregate amount of $525.0 million, or $40.03 per share, which was paid on December 17, 2019, to shareholders of record as of the close of business on December 10, 2019, (the “Special Cash Distribution”). See “*Note 7. Shareholders’ Equity (Deficit)*” of the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report for additional information regarding the Special Cash Distribution. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 1.

Change in U.S. Tax Status

On January 22, 2020, VDI filed the Tax Election with the IRS to be treated as a partnership, rather than a corporation, for U.S. federal income tax purposes, with an effective date retroactive to December 9, 2019. See “*Note 8. Income Taxes*” of the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report for further information regarding the change in tax status. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 1.

Strengths

We believe our primary competitive strengths include the following:

We own and operate a diversified, premium fleet. We have a diversified fleet of eight high-specification drilling units that is capable of providing premium drilling services for both shallow water and deepwater applications. We recognize that shallow water and deepwater business cycles may differ, particularly during an industry recovery, and believe our fleet diversity reduces our reliance on any particular market segment. Our fleet currently includes five jackup rigs and three drillships.

- *Jackup rigs.* We believe that our ultra-premium jackup rigs compare favorably to the majority of the current global jackup rig fleet, which is primarily comprised of rigs that are older, smaller and less capable due to their reliance on, and utilization of, less modern equipment. Each of our jackup rigs is aged 13 years old or less and has a water depth capability of 375 feet and drilling depth capability of 30,000 feet. Our jackup rigs are equipped with offline stand-building systems, which provide significant drilling efficiency and have at least a 1.4 million pound hook load, allowing more demanding wells to be drilled. Each of our jackup rigs have (i) a cantilever reach envelop of 75 x 30 feet, which enables each rig to reach more well slots on a platform without requiring a rig move, (ii) a large deck space, (iii) up to 3,749 tons of variable deck-load, allowing more equipment and supplies to be stored on the rig, and (iv) a 120-person accommodation, all of which we believe bring efficiencies, better logistics and significant cost savings to our customers. As a result, we believe our jackups are generally preferred by clients for their superior and more efficient drilling performance, better and more cost-effective logistics, and consistent activity levels. As demonstrated during the current cycle, clients have shown a preference for modern jackups, such as ours, with global modern jackup utilization rebounding more rapidly than older rigs. As of February 24, 2020, our jackup rigs are 100% under contract or preparing for contract.
- *Drillships.* Our ultra-deepwater drillships are designed to drill in up to 12,000 feet of water, and two of our drillships have been further upgraded with a hook load of 2.5 million pounds, which further enhances their ability to drill deep, complex and demanding wells. Our drillships are currently equipped with risers to drill in water depths of up to 10,000 feet, which we believe is the optimal specification for the majority of current ultra-deepwater development projects. However, additional risers could be added to drill in water depths of up to 12,000 feet as needed by our clients. Finally, an MPD system has been installed on the *Tungsten Explorer* drillship, and we have the ability to equip this MPD on our other drillships. Based on our experience, a significant number of the recent and active requirements for floaters are requesting an MPD system (or a subset of an MPD

system called Riser Gas Handling). We believe these high-specification and upgraded drillships are generally preferred by our clients and will better position us to secure contracts and command premium dayrates as compared to our competitors with less advanced fleets.

Our focus on increased efficiency has led to an optimized cost structure. Following the commodity price downturn in 2014, we implemented company-wide cost savings initiatives in an effort to reduce our rig operating expenses and general and administrative expenses through the right-sizing of shore-based teams and centralization of shore-based operational support in Dubai near key areas of operation. Further, we have significantly reduced our rig operating cost through nationalization and regionalization of senior offshore positions and active supply chain management. We believe our optimized cost structure is among the best in the industry and provides us with the flexibility to operate across business cycles and will lead to enhanced profitability in the event of a recovery in the offshore drilling industry.

We have a strong balance sheet with significant debt coverage. As of December 31, 2019, we have approximately $242.9 million of cash on our balance sheet (including $11.0 million of restricted cash) and no near-term debt maturities. Our long-term debt consists of $350.0 million of 9.25% First Lien Notes, which are secured on a first priority basis by substantially all of our assets. As compared to many of our competitors that are highly levered, we believe that our strong balance sheet and low amount of debt relative to our cash balance enables us to weather the continuing challenges currently facing this industry and positions us to take advantage of the recovery.

We are a leading operator with strong client relationships. We believe that our safety and operational performance, experienced and skilled employees, and modern and highly advanced fleet have produced a track record of high-quality client service and operational safety, efficiency and effectiveness. We have received special recognition from several of our clients for superior drilling services based on key operational metrics, including with respect to safe operations, drilling efficiency, low non-productive time and best contractor performance.

We have a proven management team. Our executive team has a strong reputation for sound execution, customer focus and delivering strong financial performance. Our management team has extensive experience in the oilfield services and offshore drilling industries, as well as experience operating in key global offshore development locations, including the Gulf of Mexico, West Africa, the Middle East, South East Asia and India, with major international and national oil companies as well as independent exploration and production companies. In addition to the members of the management team, we have highly trained personnel operating and maintaining our rigs. We believe that our team's significant experience, technical expertise and strong client relationships, as well as the functional depth throughout our organization, enhance our ability to deliver superior drilling services to our clients and effectively operate on a global basis.

Strategy

Our principal business objective is to be the preferred provider of premium offshore drilling rig services to the oil and gas industry. Our operating strategy is designed to enable us to provide high-quality, safe and cost-competitive services through the current business cycle, positioning us to benefit from an expected increase in demand for offshore drilling and to increase our cash flow and profits. Specifically, we expect to achieve our business objectives through the following strategies:

Enhanced focus on safety and operational excellence. With cyclical demand for offshore drilling services, excelling in safety and operational ability is a key factor for success. We intend to continue our focus on minimizing safety incidents, while also continually increasing our operational uptime and efficiency. This dual focus is intended to enable us to develop and maintain long-term customer relationships and maximize the utilization of our fleet while also ensuring the safety of our and our customers' employees and contractors. We intend to maintain our exemplary safety and operational performance through attentive and engaged leadership, ongoing competency and training programs, appropriate incentive structures at all levels and effective management oversight.

Efficiently manage costs to adapt to and withstand a range of market conditions. With a cost-competitive fleet, we believe we are well-positioned to operate across business cycles and achieve enhanced profitability in the event of a recovery in the offshore drilling industry. We have assembled and deployed an active fleet that we believe is at the low end of the cost-of-supply curve through right sizing and centralization of shore-based support, nationalization and regionalization of senior offshore positions, and active supply chain management. We believe these efforts to manage costs will enable us to maintain our industry-leading fleet utilization while generating positive operational cash flows in a cyclical dayrate environment.

Maintain high fleet utilization and consistent activity levels to capitalize on customer preferences for active rigs. We enjoy an industry-leading fleet utilization, which serves as a competitive advantage in securing contracts given operators' strong preference for rigs with consistent activity levels. Consistent activity helps reduce the uncertainty of any associated costs and preparation time for rigs to undertake new contracts. All of our jackup rigs are currently contracted or preparing for contract with client options to extend their contracts. Two of our drillships are currently contracted or preparing for contract with a client and one drillship is maintained warm-stacked in anticipation of what we believe to be an improved dayrate and contract term environment commencing as early as late 2020.

Preserve balance sheet and maintain significant liquidity through business cycles. With approximately $242.9 million cash on our balance sheet as of December 31, 2019 (including $11.0 million of restricted cash) and no near-term debt maturities, we continue to focus on preservation of liquidity as the offshore drilling business cycle continues.

Maintain high-quality asset portfolio with diverse footprint by selectively pursuing acquisitions that we believe align with our operational model and are likely to increase cash flow. Our balanced fleet of jackup rigs and drillships allows us to address the dynamic opportunity set in the offshore drilling industry. We believe the quality of our jackup rig and drillship fleets, combined with our experience in shallow and deepwater markets, position us to compete in various market segments and geographies. We maintain a young fleet with an average age of approximately ten years; accordingly, our high-specification assets enable us to capitalize on the bifurcation in utilization levels between modern and older rigs, and to secure contracts with premium dayrates. Additionally, high-specification modern drilling units generally provide superior and more efficient drilling performance, as well as enhanced and more cost effective logistics. Newer and more modern drilling units are also generally preferred by crews, which makes it easier to hire and retain high-quality operating personnel. As a result, our fleet is well suited to meet the requirements of customers for efficiently drilling complex wells in demanding locations. To maintain our high-quality asset portfolio, we are focused on disciplined investment in, and the growth of, our active drilling fleet to maximize our profitability. Additionally, we have invested in MPD technology for the *Tungsten Explorer* ultra-deepwater drillship, technology which is currently required by a significant number of the tenders in the market and is becoming increasingly prevalent in the industry, making such drillship highly regarded and sought after by customers. We have the ability to equip this MPD system on our other drillships.

Our Industry

The offshore contract drilling industry provides drilling, workover and well construction services to oil and natural gas exploration and production companies through the use of mobile offshore drilling units. Historically, the offshore drilling industry has been very cyclical with periods of high demand, limited rig supply and high dayrates alternating with periods of low demand, excess rig supply and low dayrates. Periods of low demand and excess rig supply intensify the competition in the industry and often result in some rigs becoming idle for long periods of time as is the case today. As is common throughout the oilfield services industry, offshore drilling is largely driven by actual or anticipated changes in oil and natural gas prices and capital spending by companies exploring for and producing oil and natural gas. Sustained high commodity prices historically have led to increases in expenditures for offshore drilling activities and, as a result, greater demand for our services. As a result of the reduced breakeven cost for our customers offshore project opportunities for our services have generally increased over the past year, albeit at a slow rate as the market gradually absorbs the oversupply of active and warm drilling rigs.

Offshore drilling rigs are generally marketed on a worldwide basis as rigs can be moved from one region to another. The cost of moving a rig and the availability of rig-moving vessels may cause the supply and demand balance to vary between regions. However, significant variations between regions do not tend to exist long-term because of rig mobility.

The offshore drilling market generally consists of shallow water (<400 ft.), midwater (>400 ft.), deepwater (>4,000 ft.) and ultra-deepwater (>7,500 ft.). The global shallow water market is serviced primarily by jackups.

Our jackup fleet is focused on the “long-legged” (>350 ft.) high specification market. The drillships that we operate are focused primarily on the ultra-deepwater segment, but can also operate efficiently and cost effectively in the midwater and deepwater markets.

Customers

Our customers are primarily large multinational oil and natural gas companies, government owned oil and natural gas companies and independent oil and natural gas producers. Contract termination revenue from the Petrobras Parties accounted for approximately 78% of consolidated revenue for the year ended December 31, 2019. For the years ended December 31, 2019, 2018 and 2017, the following customers accounted for more than 10% of our consolidated revenue, in the respective periods:

	Year Ended December 31,		
	2019 (1)	**2018**	**2017**
Total E&P Congo	---	40%	51%
Oil & Natural Gas Corporation	23%	15%	---
ENI Congo SA	23%	14%	15%
Total E&P Qatar	13%	---	11%
Olio Energy Sdn Bhd (2)	11%	---	13%

(1) Amounts exclude the contract termination revenue received from the Petrobras Parties.

(2) Olio Energy Sdn Bhd is a contracting party through which we operate, or have operated, for Petronas Carigali, a subsidiary of the national oil company of Malaysia, and CPOC, a joint venture between Petronas Carigali JDA limited, a subsidiary of the national oil company of Malaysia, and PTTEP International Limited, a subsidiary of the national oil company of Thailand.

Drilling Contracts

Our drilling contracts are the result of negotiation with our customers, and most contracts are awarded through competitive bidding against other contractors. Drilling contracts generally provide for payment on a dayrate basis, with higher rates while the drilling unit is operating and lower rates for periods of mobilization or when drilling operations are interrupted or restricted by equipment breakdowns, adverse environmental conditions or other conditions beyond our control. Currently all of our drilling contracts are on a dayrate basis. A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well (or group of wells) or covering a stated term. Certain of our contracts with customers may be cancelable at the option of the customer upon payment of an early termination fee. Such payments may not, however, fully compensate us for the loss of the contract. Contracts also customarily provide for either automatic termination or termination at the option of the customer typically without the payment of any termination fee, under various circumstances such as non-performance, in the event of extensive downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events or for convenience by the customer. Many of these events are beyond our control. The contract term in some instances may be extended by the client exercising options for the drilling of additional wells or for an additional term. Our contracts also typically include a provision that allows the client to extend the contract to finish drilling a well-in-progress. During periods of depressed market conditions, our clients may seek to renegotiate drilling contracts to reduce their obligations or may seek to repudiate their contracts. Suspension of drilling contracts will result in the reduction in or loss of dayrate for the period of the suspension. To the extent (i) our customers cancel some of our contracts and we are unable to secure new contracts on a timely basis and on substantially similar terms, (ii) our contracts are suspended for an extended period of time or (iii) a number of our contracts are renegotiated, it could adversely affect our consolidated statements of financial position, results of operations or cash flows.

The following table sets forth certain information concerning the current contract status of our offshore drilling fleet as of February 24, 2020.

Name	Region	Contract End Date	Customer
Emerald Driller	Middle East	Q2 2021	Total E&P Qatar
Sapphire Driller	West Africa	Q2 2021	ENI Congo SA
Aquamarine Driller	Southeast Asia	Q2 2020	CPOC through Olio Energy Sdn Bhd
Topaz Driller	West Africa	Q2 2020	VAALCO Gabon
Soehanah	Southeast Asia	Q3 2020	Medco E&P
Platinum Explorer	India	Q4 2020	Oil & Natural Gas Corporation
Tungsten Explorer	Mediterranean	Q2 2020	Total Lebanon

Contract Backlog

As of December 31, 2019, our owned fleet had total drilling contract backlog of approximately $149.0 million. We expect that approximately $130.4 million of our total contract backlog will be performed during 2020, with the remainder performed in subsequent years.

Competition

The contract drilling industry is highly competitive. Demand for contract drilling and related services is influenced by a number of factors, including the current and expected prices of oil and natural gas and the expenditures of oil and natural gas companies for exploration and development of oil and natural gas. In addition, demand for drilling services remains dependent on a variety of political and economic factors beyond our control, including worldwide demand for oil and natural gas, the ability of OPEC to set and maintain production levels and pricing, the level of production of non-OPEC countries and the policies of various governments regarding exploration and development of their oil and natural gas reserves.

Drilling contracts are generally awarded on a competitive bid or negotiated basis. Pricing (day rate) is often the primary factor in determining which qualified contractor is awarded a job. Rig availability, capabilities, age and each contractor’s safety performance record and reputation for quality also can be key factors in the determination. Operators also may consider crew experience, rig location and efficiency. We believe that the market for drilling contracts will continue to be highly competitive for the foreseeable future. Certain competitors may have greater financial resources than we do, which may better enable them to withstand periods of low utilization, compete more effectively in a low price environment, build new rigs or acquire existing rigs.

Our competition ranges from large international companies offering a wide range of drilling and other oilfield services to smaller, locally owned companies. Competition for rigs is usually on a global basis, as these rigs are highly mobile and may be moved, although at a cost that is sometimes substantial, from one region to another in response to demand.

Operating Hazards

Our operations are subject to many hazards inherent in the offshore drilling business, including, but not limited to: blowouts, craterings, fires, explosions, equipment failures, loss of well control, loss of hole, damaged or lost equipment and damage or loss from inclement weather or natural disasters.

These hazards could cause personal injury or death, serious damage to or destruction of property and equipment, suspension of drilling operations, or damage to the environment, including damage to producing formations and surrounding areas. Generally, we seek to obtain contractual indemnification from our customers for some of these risks. To the extent not transferred to customers by contract, we seek protection against some of these risks through insurance, including property casualty insurance on our rigs and drilling equipment, protection and indemnity, commercial general liability, which has coverage extension for underground resources and equipment coverage, commercial contract indemnity and commercial umbrella insurance.

There are risks that are outside of our control. Nonetheless, we believe that we are adequately insured for liability and property damage to others with respect to our operations. However, such insurance may not be sufficient to protect us against liability for all consequences of well disasters, extensive fire damage or damage to the environment. For more information regarding the risks related to our insurance policies, see “Risk Factors—Our business involves numerous operating hazards, and our insurance and contractual indemnity rights may not be adequate to cover our losses” in Part I, Item 1A of this Annual Report.

Insurance

We maintain insurance coverage that includes coverage for physical damage, third party liability, employer’s liability, war risk, general liability, vessel pollution and other coverage. However, our insurance is subject to exclusions and limitations and there is no assurance that such coverage will adequately protect us against liability from all potential consequences and damages.

Our primary marine package provides for hull and machinery coverage for our drilling units up to a scheduled value for each asset, which we believe approximates replacement cost. The maximum coverage for our eight drilling units is $1.5 billion. The policies are subject to certain exclusions, limitations, deductibles and other conditions. Deductibles for physical damage to our jackup rigs and our drillships are $2.5 million and $5.0 million, respectively, per occurrence. Our protection and indemnity policy provides liability coverage limits of $500.0 million per rig. In addition to these policies, we have separate policies providing coverage for onshore general liability, employer’s liability, auto liability and non-owned aircraft liability, with customary coverage, limits and deductibles.

Foreign Regulation

Our operations are conducted in foreign jurisdictions and are subject to, and affected in varying degrees by, governmental laws and regulations in countries in which we operate, including laws, regulations and duties relating to the importation and exportation of and operation of drilling units and other equipment, currency conversions and repatriation, oil and natural gas exploration and development, environmental protection, taxation of offshore earnings and earnings of expatriate personnel and the use of local employees and suppliers by foreign contractors. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and natural gas and other aspects of the oil and natural gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and natural gas companies and may continue to do so. Furthermore, these regulations have limited the opportunities for international drilling contractors to participate in tenders for contracts or to perform services in certain countries as the governments have strongly favored local service providers. Operations in less developed countries may be subject to legal systems that are not as predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings.

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import and export activities are governed by unique customs laws and regulations in each of the countries where we operate. The laws and regulations concerning import and export activity, recordkeeping and reporting, import and export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting our operations. Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities. Shipments can be delayed and denied import or export for a variety of reasons, some of which are outside our control and some of which may result from failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime.

Environmental Regulation

For a discussion of the effects of environmental regulation on our current operations, see *"Risk Factors—Our business is subject to numerous governmental laws and regulations, including those that may impose significant costs and liability on us for environmental and natural resource damages"* and *"—Public concern and legislative and regulatory initiatives regarding the potential risks associated with global warming, and the environmental and social impacts of fossil fuel extraction and use, may adversely affect our operations or the demand for oil and natural gas"* in Part I, Item 1A of this Annual Report. We anticipate that we will continue to make expenditures to comply with environmental requirements. To date, we have not expended material amounts beyond those amounts spent on our basic rig designs in order to comply and we do not believe that our compliance with such requirements will have a material adverse effect upon our results of operations or competitive position or materially increase our capital expenditures.

We have historically conducted work in the Gulf of Mexico and may conduct such work in the future. Although we are not currently conducting any operations under the jurisdiction of U.S. environmental and natural resource agencies, similar restrictions and concerns apply in the jurisdictions in which we currently operate. These requirements and concerns may be more or less stringent than those associated with the following U.S. laws.

Heightened environmental concerns have led to greater and more stringent environmental regulations, higher drilling costs, and a more difficult and lengthy well permitting process in many jurisdictions throughout the world. Requirements applicable to our operations include regulations that would require us to obtain and maintain specified permits or governmental approvals, control the discharge of materials into the environment, require removal and cleanup of materials that may harm the environment, or otherwise relate to the protection of the environment. Laws and regulations protecting the environment have become more stringent and may in some cases impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Some of these laws and regulations may expose us to liability for the conduct of, or conditions caused by, others or for acts which were in compliance with all applicable laws at the time they were performed. The application of these requirements or the adoption of new or more stringent requirements could have a material adverse effect on our financial condition and results of operations.

Environmental requirements include water quality laws, regulations and policies that prohibit and/or regulate the discharge of pollutants, including petroleum, into the waters. Certain facilities that store or otherwise handle oil are required to prepare and implement Spill Prevention Control and Countermeasure Plans and Facility Response Plans relating to the possible discharge of oil to surface waters. Violations of monitoring, reporting, permitting and other requirements can result in the imposition of administrative, civil and criminal penalties. Laws governing air emissions and solid and hazardous waste also apply to our operations.

A variety of initiatives intended to enhance vessel security have been adopted in certain jurisdictions where we operate. For example, these initiatives may require the development of vessel security plans and on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications.

The International Maritime Organization (the "IMO"), a specialized agency of the United Nations, is responsible for developing measures to improve the safety and security of international shipping and to prevent marine pollution from ships. Among the various international conventions negotiated by the IMO is the International Convention for the Prevention of Pollution from Ships ("MARPOL"). MARPOL imposes environmental standards on the shipping industry relating to oil spills, management of garbage, the handling and disposal of noxious liquids, harmful substances in packaged forms, sewage and air emissions.

Annex VI to MARPOL ("Annex IV") sets limits on sulfur dioxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances. Annex VI also imposes a global cap on the sulfur content of fuel oil and allows for specialized areas to be established internationally with more stringent controls on sulfur emissions. For vessels 400 gross tons and greater, platforms and drilling units, Annex VI imposes various survey and certification requirements. For this purpose, gross tonnage is based on the International Tonnage Certificate for the vessel. The United States has ratified Annex VI. In addition, any drilling units we operate internationally are subject to the requirements of Annex VI in those countries that have implemented its provisions. We believe the drilling units we currently offer for international projects comply with Annex VI, but changes to our equipment and ratifying countries' regulatory interpretations of the Annex VI requirements could impose additional costs on us, which could be significant.

Although significant capital expenditures may be required to comply with these governmental laws and regulations, such compliance has not materially adversely affected our earnings or competitive position. We believe that we are currently in compliance in all material respects with the environmental regulations to which we are subject.

Employees

At December 31, 2019, we managed a workforce of approximately 940 people, of which approximately 425 were our direct employees.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website at www.vantagedrilling.com as soon as practicable after we electronically file such material with the SEC through EDGAR at www.sec.gov. Information contained on or accessible from our website is not incorporated by reference into this Annual Report and should not be considered a part of this Annual Report or any other filing that we make with the SEC.

This Annual Report also contains summaries of the terms of certain agreements that we have entered into that are filed as exhibits to this Annual Report. The descriptions contained in this Annual Report of those agreements do not purport to be complete and are subject to, and qualified in their entirety by reference to, the respective definitive agreements. You may request a copy of the agreements described herein at no cost by writing or telephoning us at the following address: Vantage Drilling International, Attention: General Counsel, c/o Vantage Energy Services, Inc., 777 Post Oak Boulevard, Suite 800, Houston, Texas 77056, phone number (281) 404-4700. You can also obtain copies of any of the agreements that are filed as exhibits to this Annual Report from the SEC through the SEC's website at www.sec.gov.

Item 1A. Risk Factors.

There are numerous factors that affect our business and operating results, many of which are beyond our control. The following is a description of significant factors that might cause our future operating results to differ materially from those currently expected. The risks described below are not the only risks facing us. Additional risks and uncertainties not specified herein, not currently known to us or currently deemed to be immaterial also may materially adversely affect our business, financial position, operating results or cash flows.

Risks Related to Operations of our Business

Our industry is highly competitive, cyclical and subject to intense price competition.

The offshore contract drilling industry, historically, has been cyclical and volatile with periods of high demand, limited supply and high dayrates alternating with periods of low demand, excess supply and low dayrates. Many offshore drilling units are highly mobile. Competitors may move drilling units from region to region in response to changes in demand. According to Bassoe, as of January 2020 there were 49 jackups and 26 deepwater/harsh environment floaters on order at shipyards with scheduled deliveries extending out to July 2022. It is unclear when or whether delivery of these drilling rigs will occur as many rig deliveries have been deferred and some have been canceled. Notwithstanding such deferrals and cancellations, excess supply may continue to depress the markets in which we operate. Periods of low demand and excess supply intensify competition in our industry and often result in some of our drilling units becoming idle for long periods of time. Prolonged periods of low utilization and dayrates, or extended idle time, could result in the recognition of impairment charges on our drilling units if cash flow estimates, based upon information available to management at the time, indicate that the carrying value of the drilling units may not be recoverable.

A continued low amount of, or further reduction in, expenditures by oil and natural gas exploration and production companies due to low levels of oil and natural gas prices, a decrease in demand for oil and natural gas, or other factors, would adversely affect our business.

Our business, including the utilization rates and dayrates we achieve for our drilling units, depends on the level of activity in oil and natural gas exploration, development and production expenditures of our customers. Oil and natural gas prices and customers' expectations of potential changes in these prices significantly affect this level of activity. Commodity prices are affected by numerous factors, including the following:

- changes in global economic conditions;
- the worldwide supply and demand for oil and natural gas;
- the cost of exploring for, producing and delivering oil and natural gas;
- expectations regarding future prices;
- advances in exploration, development and production technology;
- the ability or willingness of OPEC to set and maintain production levels and pricing;
- the availability and discovery rate of new oil and natural gas reserves in offshore areas;
- the availability and discovery rate of new oil and natural gas reserves in the U.S. shale oil and gas regions;
- the rate of decline of existing and new oil and natural gas reserves;

- the level of production in non-OPEC countries;
- domestic and international tax policies;
- the development and exploitation of alternative fuels;
- weather;
- public concern regarding the potential risks associated with global warming;
- blowouts and other catastrophic events;
- governmental laws and regulations, including environmental laws and regulations;
- the policies of various governments regarding exploration and development of their oil and natural gas reserves;
- volatility in the exchange rate of USD against other currencies; and
- the worldwide political environment, uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in significant oil and natural gas producing regions or further acts of terrorism.

In addition to oil and gas prices, the offshore drilling industry is influenced by additional factors, including:

- the availability of competing offshore drilling vessels and the level of construction activity for new drilling vessels;
- the level of costs for associated offshore oilfield and construction services;
- oil and gas transportation costs;
- the discovery of new oil and gas reserves;
- the cost of non-conventional hydrocarbons; and
- regulatory restrictions on offshore drilling.

Any of these factors could reduce demand for or prices paid for our services and adversely affect our business and results of operations.

Low prices for oil and natural gas may reduce demand for our services and could have a material adverse effect on our revenue and profitability.

Demand for our services depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices. In addition, demand for our services is particularly sensitive to the level of exploration, development and production activity of and the corresponding capital spending by, oil and natural gas companies. Any prolonged weakness in oil and natural gas prices could depress the near-term levels of exploration, development and production activity. Perceptions of longer-term lower oil and natural gas prices by oil and natural gas companies could similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our services, which could have a material adverse effect on our revenue and profitability. Additionally, these factors may adversely impact our financial position if they are determined to cause an impairment of our long-lived assets.

Public concern and legislative and regulatory initiatives regarding the potential risks associated with global warming, and the environmental and social impacts of fossil fuel extraction and use, may adversely affect our operations, the demand for oil and natural gas or our access to capital.

Global climate issues, including the emission of greenhouse gasses, continue to attract considerable public and scientific attention. Numerous reports, including, most recently, the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, have caused concern about the adverse impacts of human activity on the world's climate. The adoption of any legislation or regulation that requires reporting of greenhouse gasses, or otherwise restricts emissions of greenhouse gasses from our operations, could require us to incur significant costs to reduce such emissions, could adversely affect demand for the oil and natural gas that we extract or limit our access to financial capital.

Over the past several years, there have also been efforts to influence the investment community, including investment advisors and certain sovereign wealth, pension and endowment funds, to promote the divestment of fossil fuel equities and pressure lenders to limit funding to companies engaged in the extraction of fossil fuels. For example, BlackRock, one of the largest asset managers in the world, recently affirmed its commitment to divest from investments in fossil fuels due to concerns over climate change. Such environmental activism and initiatives aimed at limiting climate change and reducing air pollution and the emission of greenhouse gasses could interfere with our operations, business activities, and ability to access the capital markets generally. Moreover, increased attention regarding the risks of climate change and the emission of greenhouse gasses augments the possibility of litigation or investigations being brought by public and private entities against oil and natural gas companies in connection with their greenhouse emissions. Should we be targeted by any such litigation or investigations, we may incur liability, which, to the extent that political or societal pressures or other factors are involved, could be imposed without regard to the causation of, or contribution to, the asserted damage, or to other mitigating factors.

The international nature of our operations results in additional political, economic, legal and other uncertainties not generally associated with domestic operations.

Our business strategy is to operate in international oil and natural gas producing areas. Our international operations are subject to a number of risks inherent in any business operating in foreign countries, including:

- political, social and economic instability, war and acts of terrorism;
- government corruption;
- potential seizure, expropriation or nationalization of assets;
- damage to our equipment or violence directed at our employees, including kidnappings;
- piracy;
- increased operating costs;
- complications associated with repairing and replacing equipment in remote locations;
- repudiation, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage in certain areas;
- import-export quotas;
- confiscatory taxation;
- work stoppages;
- unexpected changes in regulatory requirements;
- wage and price controls;
- imposition of trade barriers;
- imposition or changes in enforcement of local content laws;
- restrictions on currency or capital repatriations;
- currency fluctuations and devaluations; and
- other forms of government regulation and economic conditions that are beyond our control.

Our financial condition and results of operations could be susceptible to adverse events beyond our control that may occur in the particular countries or regions in which we are active. Additionally, we may experience currency exchange losses where, at some future date, revenues are received and expenses are paid in nonconvertible currencies or where we do not hedge exposure to a foreign currency. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available in the country of operation, controls over currency exchange or controls over the repatriation of income or capital.

Many governments favor or effectively require that drilling contracts be awarded to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may result in inefficiencies or put us at a disadvantage when bidding for contracts against local competitors.

Our offshore contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the equipment and operation of drilling units, currency conversions and repatriation, oil and natural gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling units and other equipment. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and natural gas and other aspects of the oil and natural gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and natural gas companies and may continue to do so. Operations in less developed countries can be subject to legal systems which are not as predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings.

Our drilling contracts are generally short-term in duration, and we could experience reduced profitability if customers reduce activity levels or if we otherwise fail to secure new drilling contracts or extend existing contracts upon their termination.

Many drilling contracts are short-term, and oil and natural gas companies tend to reduce shallow water activity levels quickly in response to downward changes in oil and natural gas prices. Due to the short-term nature of most of our drilling contracts, a decline in market conditions can quickly affect our business if customers reduce their levels of operations. We may not be able to secure new contracts for our vessels or extend contracts on favorable terms or at all, or satisfy any conditions precedent to finalizing any letters of intent or award with respect to our vessels. This could result in one or more of our vessels being idle for an extended period of time, which could adversely affect our profitability, financial position, results of operations and cash flows.

We may not be able to replace expiring or terminated contracts for our existing rigs at dayrates that are economically feasible for us.

Due to the cyclical nature and high level of competition in our industry, we may not be able to replace expiring or terminated contracts. Our ability to replace expiring or terminated contracts will depend on prevailing market conditions, the specific needs of our customers, and numerous other factors beyond our control. Additionally, any contracts for our drilling units may be at dayrates that are below existing dayrates, which could have a material adverse effect on our overall business, financial condition, results of operations and future prospects.

New technology and/or products may cause us to become less competitive.

The offshore contract drilling industry is subject to the introduction of new drilling techniques and services using new technologies, some of which may be subject to patent protection. As competitors and others use or develop new technologies, we may be placed at a competitive disadvantage. Further, we may face competitive pressure to implement or acquire certain new technologies at a substantial cost. Some of our competitors have greater financial, technical and personnel resources that may allow them to access technological advantages and implement new technologies before we can. We cannot be certain that we will be able to implement new technology or products on a timely basis or at an acceptable cost. Thus, our inability to effectively use and implement new and emerging technology may have a material and adverse effect on our financial condition and results of operations.

Failure to employ a sufficient number of skilled workers or an increase in labor costs could hurt our operations.

We require skilled personnel to operate and provide technical services to, and support for, our drilling units. In periods of increasing activity and when the number of operating units in our areas of operation increases, either because of new construction, re-activation of idle units or the mobilization of units into the region, shortages of qualified personnel could arise, creating upward pressure on wages and difficulty in staffing. The shortages of qualified personnel or the inability to obtain and retain qualified personnel also could negatively affect the quality and timeliness of our work. In addition, our ability to expand operations depends in part upon our ability to increase the size of the skilled labor force. Due to the extremely weak conditions in the offshore drilling market, the lack of employment and lower wages for offshore personnel have caused and will continue to cause many of our current offshore personnel to permanently leave the industry for employment opportunities in other industries. If industry conditions improve, there is no guarantee these workers will return to the offshore industry resulting in a shortage of qualified personnel that we will be able to employ.

Our drilling contracts may be terminated early in certain circumstances and our customers may seek to renegotiate the terms of their existing drilling contracts with us.

Our customers may have the right to terminate, or may seek to renegotiate, their existing drilling contracts with us if we experience excessive downtime, operational problems above the contractual limit or safety-related issues, if the drilling unit is a total loss, if the drilling unit is not delivered to the customer within the period specified in the contract or in other specified circumstances, which include events beyond the control of either party.

Some of our current drilling contracts, and some drilling contracts that we may enter into in the future, may include terms allowing customers to terminate contracts without cause, with little or no prior notice and without penalty or early termination payments. In addition, we could be required to pay penalties, which could be material, if some of these contracts are terminated due to downtime, operational problems or failure to deliver. Some of the contracts with customers that we enter into in the future may be cancellable at the option of the customer upon payment of a penalty, which may not fully compensate us for the loss of the contract. Early termination of a contract may result in a drilling unit being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. Under most of our contracts, it is an event of default if we file a petition for bankruptcy or reorganization, which would allow the customer to terminate such contract.

Further, during depressed market conditions, a customer may no longer need a unit that is currently under contract or may be able to obtain a comparable unit at a lower dayrate. As a result, customers may seek to renegotiate the terms of their existing drilling contracts or avoid their obligations under those contracts.

We may experience downtime as a result of repairs or maintenance, human error, defective or failed equipment, or delays waiting for replacement parts.

Our operations may be suspended because of machinery breakdowns, human error, abnormal operating conditions, failure of subcontractors to perform or supply goods or services, delays on replacement parts or personnel shortages, which may cause us to experience operational downtime and could have an adverse effect on our results of operations.

There may be limits to our ability to mobilize drilling units between geographic markets and the time and costs of such drilling unit mobilizations may be material to our business.

The offshore contract drilling market is generally a global market as drilling units may be mobilized from one market to another market. However, geographic markets can, from time to time, have material fluctuations in costs and risks as the ability to mobilize drilling units can be impacted by several factors including, but not limited to, governmental regulation and customs practices, the significant costs to move a drilling unit, availability of tow boats or heavy lift vessels, weather, political instability, civil unrest, military actions and the technical capability of the drilling units to operate in various environments. Any increase in the supply of drilling units in the geographic areas in which we operate, whether through new construction, refurbishment or conversion of drilling units from other uses, remobilization or changes in the law or its application, could increase competition and result in lower dayrates and/or utilization, which would adversely affect our financial position, results of operations and cash flows. Additionally, while a drilling unit is being mobilized from one geographic market to another, we may not be paid by the customer for the time that the drilling unit is out of service. Also, we may mobilize the drilling unit to another geographic market without a customer contract which could result in costs not reimbursable by future customers.

Reactivation of idle rigs may take longer or be more costly than we anticipate.

Reactivation of idle rigs may take longer and be more costly than anticipated. As our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the rig is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized.

We may be required to make substantial capital and operating expenditures to maintain and upgrade our fleet to maintain our competitiveness and to comply with laws and the applicable regulations and standards of governmental authorities and organizations, each of which could negatively affect our financial condition, results of operations and cash flows.

Our business is highly capital intensive and dependent on having sufficient cash flow and or available sources of financing in order to fund capital expenditure requirements. We can provide no assurance that we will have access to adequate or economical sources of capital to fund necessary capital expenditures. Such capital expenditures could increase as a result of changes in the following:

- the cost of labor and materials;
- customer requirements;
- fleet size;
- the cost of replacement parts for existing drilling rigs;
- the geographic location of the drilling rigs;
- the length of drilling contracts;
- governmental regulations and maritime self-regulatory organization and technical standards relating to safety, security or the environment; and
- industry standards.

Changes in offshore drilling technology, customer requirements for new or upgraded equipment and competition within our industry may require us to make significant capital expenditures in order to maintain our competitiveness. In addition, changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations, may require us to make additional unforeseen capital expenditures. As a result, we may be required to take our rigs out of service for extended periods of time, with corresponding losses of revenues, in order to make such alterations or to add such equipment. In the future, market conditions may not justify these expenditures or enable us to operate our older rigs profitably during the remainder of their economic lives.

In addition, we may require additional capital in the future. If we are unable to fund capital expenditures with our cash flow from operations or sales of non-strategic assets, we may be required to either incur additional borrowings or raise capital through the sale of debt or equity securities. Our ability to access the capital markets may be limited by our financial condition at the time, by certain restrictive covenants under the agreements governing our credit agreement and notes, by changes in laws and regulations or interpretation thereof and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we raise funds by issuing equity securities, existing shareholders may experience dilution. Our failure to obtain the funds for necessary future capital expenditures could have a material adverse effect on our business and on our consolidated statements of financial condition, results of operations and cash flows.

We may engage in certain strategic or transformational transactions in the future which could affect the value or type of our assets.

From time to time, our management independently evaluates, and separately receives indications of interest in respect of, a variety of strategic and/or transformational transactions in respect of our assets or a particular subset thereof. While the documents governing our indebtedness include certain restrictions on our ability to dispose of our assets or to finance the acquisitions of new assets, such restrictions contain various exceptions and limitations.

To the extent we were to pursue or engage in such transactions, there is no guarantee that such transactions will be successful or, even if consummated, improve our operating results. We may incur costs, breakage fees or other expenses in connection with any such transactions, and any such transactions may ultimately have a material adverse effect on our operating results and on our ability to pay amounts due on our debt.

In addition, such transactions may be transformative and consequently, may result in a change in the type of the assets we hold. Such new assets may be valued differently as compared to our current assets in the event of a liquidation thereof or due to changes in applicable market conditions even absent such a liquidation scenario. Accordingly, there can be no guarantee that any replacement assets will continue to hold comparable value to our current assets. Any such changes to our asset mix may also be viewed negatively by the market and could have an adverse effect on the trading price of our securities.

The market value of our current vessels may decrease, which could cause us to take accounting charges or incur losses if we decide to sell them following a decline in their values.

If the offshore contract drilling industry continues to suffer adverse developments, the fair market values of our vessels may decline. The fair market values of the vessels we currently own or may acquire in the future may increase or decrease depending on a number of factors, many of which are beyond our control, including the general economic and market conditions affecting the oil and gas industry and the possible corresponding adverse effect on the level of offshore drilling activity.

Any such deterioration in the market values of our vessels could require us to record an impairment charge in our financial statements, which could adversely affect our results of operations. If we sell any of our vessels when prices for such vessels have fallen, the sale may be at less than such drillship’s carrying amount on our financial statements, resulting in a loss.

Our business involves numerous operating hazards, and our insurance and contractual indemnity rights may not be adequate to cover our losses.

Our operations are subject to the usual hazards inherent in the drilling and operation of oil and natural gas wells, such as blowouts, reservoir damage, loss of production, loss of well control, punch-throughs, craterings, fires and pollution. The occurrence of these events could result in the suspension of drilling or production operations, claims by the operator and others affected by such events, severe damage to, or destruction of, the property and equipment involved, injury or death to drilling unit personnel, environmental damage and increased insurance costs. We may also be subject to personal injury and other claims of drilling unit personnel as a result of our drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal operating conditions, failure of subcontractors to perform or supply goods or services and personnel shortages.

In addition, our operations will be subject to perils particular to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Severe weather could have a material adverse effect on our operations. Our drilling units could be damaged by high winds, turbulent seas or unstable sea bottom conditions which could potentially cause us to curtail operations for significant periods of time until such damages are repaired.

Damage to the environment could result from our operations, particularly through oil spillage or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by host governments, oil and natural gas companies and other businesses operating offshore and in coastal areas, as well as claims by individuals living in or around coastal areas.

As is customary in our industry, the risks of our operations are partially covered by our insurance and partially by contractual indemnities from our customers. However, insurance policies and contractual rights to indemnity may not adequately cover losses, and we may not have insurance coverage or rights to indemnity for all risks. Moreover, pollution and environmental risks generally are not fully insurable. If a significant accident or other event resulting in damage to our drilling units, including severe weather, terrorist acts, war, civil disturbances, pollution or environmental damage, occurs and is not fully covered by insurance or a recoverable indemnity from a customer, it could adversely affect our financial condition and results of operations.

Customers may be unable or unwilling to indemnify us.

Consistent with standard industry practice, our customers generally assume liability for and indemnify us against well control and subsurface risks under our dayrate contracts, and we do not separately purchase insurance for such indemnified risks. These risks are those associated with the loss of control of a well, such as blowout or cratering, the cost to regain control or redrill the well and associated pollution. In the future, we may not be able to obtain agreements from customers to indemnify us for such damages and risks or the indemnities that we do obtain may be limited in scope and duration or subject to exceptions. Additionally, even if our customers agree to indemnify us, there can be no assurance that they will necessarily be financially able to indemnify us against all of these risks.

Our insurance coverage may not be adequate if a catastrophic event occurs.

As a result of the number and significance of catastrophic events in the history of the offshore drilling industry, insurance underwriters have increased insurance premiums and increased restrictions on coverage and have made other coverages unavailable to us on commercially reasonable terms. During the recent industry downturn, in addition to paying lower day rates, many oil and gas companies have negotiated less favorable terms with respect to risk allocation and indemnity rights in the drilling service contracts to which we are or may become a party.

While we believe we have reasonable policy limits of property, casualty and liability insurance, including coverage for acts of terrorism, with financially sound insurers, we cannot guarantee that our policy limits for property, casualty, liability and business interruption insurance, including coverage for severe weather, terrorist acts, war, civil disturbances, pollution or environmental damage, would be adequate should a catastrophic event occur related to our property, plant or equipment, or that our insurers would have adequate financial resources to sufficiently or fully pay related claims or damages. When any of our coverage expires, or when we seek coverage in the future, we cannot guarantee that adequate coverage will be available, offered at reasonable prices, or offered by insurers with sufficient financial soundness. Additionally, we do not have third party windstorm insurance and we may not have windstorm insurance for any vessel that we operate in the Gulf of Mexico in the future. The occurrence of an incident or incidents affecting any one or more of our drilling units could have a material adverse effect on our financial position and future results of operations if asset damage and/or our liability were to exceed insurance coverage limits or if an insurer was unable to sufficiently or fully pay related claims or damages.

Operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues.

We cannot predict what operating and maintenance costs will fluctuate in proportion to changes in operating revenues. Operating revenues may fluctuate as a function of changes in dayrates. However, costs for operating a drilling unit are generally fixed or only semi-variable regardless of the dayrate being earned. In addition, should the drilling units incur idle time between contracts, we would typically maintain the crew to prepare the drilling unit for its next contract and may not be able to reduce costs to correspond to the decrease in revenue. During times of moderate activity, reductions in costs may not be immediate as the crew may be required to prepare the drilling units for stacking, after which time the crew will be reduced to a level necessary to maintain the drilling unit in working condition with the extra crew members assigned to active drilling units or dismissed. In addition, as drilling units are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. Equipment maintenance expenses fluctuate depending upon the type of activity the drilling unit is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized.

A small number of customers account for a significant portion of our revenues, and the loss of one or more of these customers could materially adversely affect our financial condition and results of operations. The concentration of revenue with a small number of customers also exposes us to credit risk of these customers for non-payment or contract termination.

We derive a significant portion of our revenues from a few customers. Contract termination revenue from the Petrobras Parties accounted for approximately 78% of consolidated revenue for the fiscal year ended December 31, 2019. Excluding the contract termination revenue received from the Petrobras Parties in connection with the Petrobras Award, four customers accounted for approximately 70% of our revenue during the fiscal year ended December 31, 2019. Our financial condition and results of operations could be materially and adversely affected if any one of these customers interrupts or curtails their activities, fails to pay for the services that have been performed, terminates their contracts, fails to renew their existing contracts or refuses to award new contracts and we are unable to enter into contracts with new customers on comparable terms. The loss of any of our significant customers could materially adversely affect our financial condition and results of operations.

Consolidation of suppliers may increase the cost of obtaining supplies, which may have a material adverse effect on our results of operations and financial condition.

We rely on certain third parties to provide supplies and services necessary for our offshore drilling operations, including, but not limited to, drilling equipment suppliers, catering and machinery suppliers. Recent mergers have reduced the number of available

suppliers, resulting in fewer alternatives for sourcing key supplies. Such consolidation, combined with a high volume of drilling units under construction, may result in a shortage of supplies and services thereby increasing the cost of supplies and/or potentially inhibiting the ability of suppliers to deliver on time, or at all. These cost increases, delays or unavailability could have a material adverse effect on our results of operations and result in drilling unit downtime, and delays in the repair and maintenance of our drilling units.

Our current backlog of contract drilling revenue may not be fully realized, which may have a material adverse impact on our consolidated statement of financial position, results of operations or cash flows.

As of December 31, 2019, our owned fleet had total drilling contract backlog of approximately $149.0 million. This amount was calculated based on certain estimates and assumptions regarding operations and payments to be received under such drilling contracts. Although management believes that such estimates and assumptions are reasonable, actual amounts received under these contracts could materially differ from the projected amount. Material differences between the projected contract backlog amount and the amounts actually received pursuant to such contracts could be caused by a number of factors, including rig downtime or suspension of operations. We may not be able to realize the full amount of our contract backlog due to events beyond our control.

We may suffer losses as a result of foreign currency fluctuations.

A significant portion of the contract revenues of our foreign operations will be paid in USD; however, some payments are made in foreign currencies. As a result, we are exposed to currency fluctuations and exchange rate risks as a result of our foreign operations. To minimize the financial impact of these risks when we are paid in non-U.S. currency, we attempt to match the currency of operating costs with the currency of contract revenue. If we are unable to substantially match the timing and amounts of these payments, any increase in the value of USD in relation to the value of applicable foreign currencies could adversely affect our operating results.

Our financial results may not reflect historical trends.

Our past financial performance may not be indicative of our future financial performance. We have a limited operating history since our emergence from bankruptcy on the Effective Date. Further, we became a new entity for financial reporting purposes when we adopted fresh-start accounting as of our emergence from bankruptcy. As a result, our financial results for periods following our emergence from bankruptcy are different from historical trends and the differences may be material.

We may not prevail in the defense of any appeal of the Petrobras Award and the result of any such appeal may ultimately require us to return all or a portion of the Petrobras Payments made to satisfy the Petrobras Award.

On July 2, 2018, an international arbitration tribunal issued an award in favor of VDEEP and VDDI, finding that the Petrobras Parties had breached the Drilling Contract, and awarded VDEEP and VDDI damages in the aggregate amount of $622.0 million against the Petrobras Parties and dismissed the Petrobras Parties' counterclaims against the Company with prejudice. The tribunal also awarded the Company interest on the foregoing award amount at an annual rate of 15.2%, compounded monthly, to accrue from (i) April 1, 2018, with respect to $615.6 million thereof, (ii) October 20, 2015, with respect to $5.2 million thereof, and (iii) November 19, 2015, with respect to $1.2 million thereof, in each case, until final payment of the Petrobras Award is made.

On June 20, 2019, VDEEP and VDDI entered into the Petrobras Agreement with the Petrobras Parties relating to the Petrobras Award. The Petrobras Agreement considered the Petrobras Award amount together with interest calculated through May 22, 2019 and reduced that amount by 4.5%. Pursuant to the Petrobras Agreement, PVIS agreed to pay VDEEP and PAI the Petrobras Payments (as defined in "*Note 9. Commitments and Contingencies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report) in full satisfaction and payment of the Petrobras Award and the related judgement entered by the U.S. District Court – Texas confirming the Petrobras Award. Neither party released any of its claims, except for certain claims in respect of certain pre-judgement attachments made by VDEEP and VDDI on certain assets of PVIS and Petrobras in the Netherlands. VDEEP and VDDI received the Petrobras Payments in full on June 21, 2019. The Petrobras Parties thereafter filed a notice of appeal with the U.S. Court of Appeals for the Fifth Circuit seeking a reversal of the judgment of the U.S. District Court - Texas, which confirmed the Petrobras Award and denied the Petrobras Parties' motion for vacatur.

In light of the retention by the Petrobras Parties of their rights, including the right to appeal the judgment entered by the U.S. District Court - Texas, the Petrobras Parties may assert a claim for the return of all or a portion of the Petrobras Payments made to satisfy the Petrobras Award in the event such judgment is overturned on appeal. While we believe there is no basis for reversal of the Petrobras Award and intend to vigorously contest the appeal, we are unable to predict the ultimate outcome of the appeal at this time given the issues at stake and the inherently uncertain nature of litigation. Accordingly, no assurances can be given as to the amount of the Petrobras Payments to be ultimately realized by the Company, if any. Furthermore, while the Company has obtained judgment preservation insurance to insure against the contingency of being required to return the Petrobras Payment, to the extent the Petrobras Parties were to ultimately succeed in their appeal of the Petrobras Award, the Company's consolidated financial position and results of operations could be materially adversely affected. For further information regarding the Petrobras Award, see "*Note 9. Commitments and Contingencies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report.

The loss of some of our key executive officers and employees could negatively impact our business prospects.

Our future operational performance depends to a significant degree upon the continued service of key members of our management as well as marketing, technical and operations personnel. The loss of one or more of our key personnel could have a material adverse effect on our business. We believe our future success will also depend in large part upon our ability to attract, retain and further motivate highly skilled management, marketing, technical and operations personnel. We may experience intense competition for personnel, and we cannot assure you that we will be able to retain key employees or that we will be successful in attracting, assimilating and retaining personnel in the future.

Our information technology systems and those of our service providers are subject to cybersecurity risks and threats.

We depend on information technology systems that we manage, and others that are managed by our third-party service and equipment providers, to conduct our operations, including critical systems on our drilling units, and these systems are subject to risks associated with cyber incidents or attacks as well as breaches due to human error. It has been reported that unknown entities or groups have mounted cyber-attacks on businesses and other organizations solely to disable or disrupt computer systems, disrupt operations and, in some cases, steal data. Due to the nature of cyber-attacks, breaches to our systems or the systems of our service or equipment providers could go unnoticed for a prolonged period of time. These cybersecurity risks could disrupt our operations and result in downtime, loss of revenue or the loss of critical data, as well as result in higher costs to correct and remedy the effects of such incidents. The Audit Committee of our Board of Directors has oversight responsibility related to our cybersecurity risk management programs and periodically reviews reports on cybersecurity and other information technology risks.

In 2018, we experienced a cybersecurity breach which temporarily hindered our ability to utilize our email server and obstructed certain back-up data. However, the breach did not have a material adverse effect on our business, reputation, financial condition, results of operations or cash flows, and did not compromise any customer data. The costs to restore the data and services impacted by the cybersecurity breach were not material. While we believe such breach to be an isolated incident, we cannot provide assurance that we will not in the future experience any other actual or attempted breaches of our cybersecurity. If either our systems or the systems of our service or equipment providers used for protecting against cyber incidents or attacks prove to be insufficient and another incident were to occur, it could have a material adverse effect on our business, reputation, financial condition, results of operations or cash flows. Currently, we carry limited insurance for losses related to cybersecurity attacks and may elect to not increase such coverage in the future.

Construction projects are subject to risks, including delays and cost overruns, which could have an adverse impact on our liquidity and results of operations.

As part of our growth strategy we may contract from time to time for the construction of drilling units or may enter into agreements to manage the construction of drilling units for others. Construction projects are subject to the risks of delay or cost overruns inherent in any large construction project, including costs or delays resulting from the following:

- unexpected long delivery times for, or shortages of, key equipment, parts and materials;
- shortages of skilled labor and other shipyard personnel necessary to perform the work;
- unforeseen increases in the cost of equipment, labor and raw materials, particularly steel;
- unforeseen design and engineering problems;
- unanticipated actual or purported change orders;
- work stoppages;
- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;
- failure or delay of third-party service providers and labor disputes;
- disputes with shipyards and suppliers;
- delays and unexpected costs of incorporating parts and materials needed for the completion of projects;
- financial or other difficulties at shipyards;
- adverse weather conditions; and
- inability to obtain required permits or approvals.

If we experience delays and costs overruns in the construction of drilling units due to certain of the factors listed above, it could also adversely affect our business, financial condition and results of operations.

Our financial condition may be adversely affected if we are unable to identify and complete future acquisitions, fail to successfully integrate acquired assets or businesses we acquire, or are unable to obtain financing for acquisitions on acceptable terms.

The acquisition of assets or businesses that we believe to be complementary to our drilling operations is an important component of our business strategy. We believe that acquisition opportunities may arise from time to time, and that any such acquisition could be significant. At any given time, discussions with one or more potential sellers may be at different stages. However, any such discussions may not result in the consummation of an acquisition transaction, and we may not be able to identify or complete any acquisitions. We cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the price of our securities. Our business is capital intensive and any such transactions could involve the payment by us of a substantial amount of cash. We may need to raise additional capital through public or private debt or equity financings to execute our growth strategy and to fund acquisitions. Adequate sources of capital may not be available when needed on acceptable terms. If we raise additional capital by issuing additional equity securities, existing shareholders may be diluted. If our capital resources are insufficient at any time in the future, we may be unable to fund acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could harm our business.

Any future acquisitions could present a number of risks, including:

- the risk of using management time and resources to pursue acquisitions that are not successfully completed;
- the risk of incorrect assumptions regarding the future results of acquired operations;
- the risk of failing to integrate the operations or management of any acquired operations or assets successfully and timely; and
- the risk of diversion of management's attention from existing operations or other priorities.

If we are unsuccessful in completing acquisitions of other operations or assets, our financial condition could be adversely affected and we may be unable to implement an important component of our business strategy successfully. In addition, if we are unsuccessful in integrating our acquisitions in a timely and cost-effective manner, our financial condition and results of operations could be adversely affected.

Negative publicity may adversely affect us.

Media coverage and public statements that insinuate improper actions by us, regardless of their factual accuracy or truthfulness, may result in negative publicity, litigation or governmental investigations by regulators. Addressing negative publicity and any resulting litigation or investigations may distract management, increase costs and divert resources. Negative publicity may have an adverse impact on our reputation and the morale of our employees, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Government Regulations and Laws

Political disturbances, war, or terrorist attacks and changes in global trade policies and economic sanctions could adversely impact our operations.

Our operations are subject to political and economic risks and uncertainties, including instability resulting from civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas, which may result in extended business interruptions, suspended operations and danger to our employees, or result in claims by our customers of a force majeure situation and payment disputes. Additionally, we are subject to risks of terrorism, piracy, political instability, hostilities, expropriation, confiscation or deprivation of our assets or military action impacting our operations, assets or financial performance in many of our areas of operations.

Our offshore drilling operations could be adversely impacted by changes in regulation of offshore oil and gas exploration and development activity.

Offshore drilling operations could be adversely impacted by changes in regulation of offshore oil and gas exploration and development activities. New regulatory requirements in the future could impose greater costs on our operations, which could have a material adverse impact on our results of operations. We do not currently operate in the United States, but may do so in the future. The jurisdictions in which we currently operate have imposed requirements for offshore oil and gas exploration and development activities and, like the U.S., may impose new regulatory requirements in the future.

Our business is subject to numerous governmental laws and regulations, including those that may impose significant costs and liability on us for environmental and natural resource damages.

Many aspects of our operations are affected by governmental laws, regulations and policies that may relate directly or indirectly to the contract drilling industry, including those requiring us to control the discharge of oil and other contaminants into the environment or otherwise relating to environmental protection. Countries where we currently operate have environmental laws and regulations covering the discharge of oil and other contaminants and protection of the environment in connection with operations. Operations and activities in the United States and its territorial waters are subject to numerous environmental laws and regulations, including the Clean Water Act, the Oil Pollution Act, the Outer Continental Shelf Lands Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Air Act, the Resource Conservation and Recovery Act and MARPOL. While we do not currently operate in the United States, many of the countries in which we currently operate have similar requirements. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, the denial or revocation of permits or other authorizations and the issuance of injunctions that may limit or prohibit operations.

Laws and regulations protecting the environment have become more stringent in recent years and may in certain circumstances impose strict liability, rendering us liable for environmental and natural resource damages without regard to negligence or fault on our part. These laws and regulations may expose us to liability for the conduct of, or conditions caused by, others or for acts that were in compliance with all applicable laws at the time the acts were performed. The application of these requirements, the modification of existing laws or regulations or the adoption of new laws or regulations relating to exploratory or development drilling for oil and natural gas could materially limit future contract drilling opportunities or materially increase our costs. In addition, we may be required to make significant capital expenditures to comply with such laws and regulations.

In addition some financial institutions are imposing, as a condition to financing, requirements to comply with additional non-governmental environmental and social standards in connection with operations outside the United States, such as the Equator Principles, a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. Such additional standards could impose significant new costs on us, which may materially and adversely affect us.

Further, certain governments at the international, national, regional and state level are at various stages of considering or implementing treaties and environmental laws that could limit emissions of greenhouse gases, including carbon dioxide, associated with the burning of fossil fuels. It is not possible to predict how new laws to address greenhouse gas emissions would impact our business or that of our customers, but these laws and regulations could impose costs on us or negatively impact the market for offshore drilling services, and consequently, our business.

Changes in laws and regulations of jurisdictions where we operate, including those that may impose significant costs and liability on us for environmental and natural resource damages, may adversely affect our operations. The jurisdictions where we operate have modified or may in the future modify their laws and regulations in a manner that would increase our liability for pollution and other environmental damage.

We are exposed to potential risks from the requirement that we evaluate our internal controls under Section 404 of the Sarbanes-Oxley Act of 2002.

We have evaluated our internal controls systems in order to allow management to report on our internal controls, as required by Section 404 of the Sarbanes-Oxley Act of 2002. We have performed the system and process evaluation and testing required to comply with the management certification requirements of Section 404. As a result, we have incurred additional expenses and a diversion of management’s time. While we have been able to fully implement the requirements relating to internal controls and all other aspects of Section 404 in a timely fashion, we cannot be certain that our internal control over financial reporting will be adequate in the future to ensure compliance with the requirements of the Sarbanes-Oxley Act or the FCPA. If we are not able to maintain adequate internal control over financial reporting, we may be susceptible to sanctions or investigation by regulatory authorities, such as the DOJ and the SEC. Any such action could adversely affect our financial results.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The FCPA and similar worldwide anti-bribery laws (together, anti-corruption laws) prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our extensive training and compliance program, we cannot assure you that our internal control policies and procedures will protect us from improper acts committed by our directors, employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our business and operations. We may be subject to competitive disadvantages to the extent that our competitors are able to secure business, licenses or other preferential treatment by making

payments to government officials and others in positions of influence or using other methods that U.S. laws and regulations prohibit us from using.

In order to effectively compete in some foreign jurisdictions, we utilize local agents and seek to establish joint ventures with local operators or strategic partners. In addition, in some foreign jurisdictions in which we operate, we are required to retain the services of a national agent or sponsor. Although we have procedures and controls in place to monitor internal and external compliance, if we are found to be liable for violations of anti-corruption laws (either due to our own acts or omissions, or due to the acts or omissions of others, including actions taken by our agents and our strategic or local partners, even though our agents and partners may not be subject to the FCPA), we could suffer from civil and criminal penalties or other sanctions, which could have a material adverse effect on our business, financial position, results of operations and cash flows.

In July 2015, we became aware of media reports that Hamylton Padilha, the Brazilian agent VDC used in the contracting of the *Titanium Explorer* drillship to Petrobras, had entered into a plea arrangement with Brazilian authorities in connection with his role in facilitating the payment of bribes to former Petrobras executives. We voluntarily contacted the DOJ and the SEC to advise them of these developments. On August 2017, we received a letter from the DOJ indicating that the DOJ had closed its investigation on the matter without any action and on November 19, 2018, we concluded a settlement agreement with the SEC, including a payment of $5.0 million, resolving the SEC’s investigation into possible violations of the internal accounting control provisions of the FCPA by VDC and VDC’s subsidiaries (including Vantage and Vantage’s subsidiaries, the foregoing having been subsidiaries of VDC at the commencement of the investigation). With the settlement of this matter with the SEC, the U.S. government’s investigation of Vantage and VDC for possible violations of the FCPA was formally concluded.

Because VDI is incorporated under the laws of the Cayman Islands, stakeholders may face difficulties in protecting their interests, and their ability to protect their rights through the U.S. federal courts may be limited.

VDI is an exempted company incorporated with limited liability under the laws of the Cayman Islands. In addition, substantially all of our assets are located outside the United States. As a result, it may be difficult for holders of our securities to effect service of process within the United States upon our directors or executive officers, or enforce judgments obtained in the U.S. courts against our directors or executive officers.

Our corporate affairs are governed by our third amended and restated memorandum and articles of association, the Companies Law (as the same may be supplemented or amended from time to time) of the Cayman Islands, and the common law of the Cayman Islands. The rights of holders of our securities to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are, to a large extent, governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are different from those under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a different body of securities laws which may provide significantly less protection to investors as compared to the United States, and some states, such as Delaware, which have more fully developed and judicially interpreted bodies of corporate law.

The Cayman Islands courts are also unlikely:

- to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- to impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

Additionally, Cayman Islands companies may not have standing to sue before the federal courts of the United States. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without re-examination of the merits of the underlying dispute, provided such judgment:

- is final;
- imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;
- is not in respect of taxes, a fine, or a penalty; and
- was neither obtained in a manner, nor is of a kind enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere.

Risks Related to Financial Conditions and Markets

Our level of indebtedness could adversely affect our financial health and prevent us from fulfilling our debt obligations.

As of December 31, 2019, we had approximately $350.0 million aggregate principal amount of debt outstanding, consisting of $350.0 million under the 9.25% First Lien Notes. Our level of indebtedness could have significant effects on our business. For example, our level of indebtedness and the terms of our debt agreements may:

- make it more difficult for us to satisfy our financial obligations under our indebtedness and our contractual and commercial commitments and increase the risk that we may default on our debt obligations;
- prevent us from raising the funds necessary to repurchase notes tendered to us if there is a change of control;
- require us to use a substantial portion of our cash flow from operations to pay interest and principal on the notes and other debt, which would reduce the funds available for working capital, capital expenditures and other general corporate purposes;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other investments, or general corporate purposes, which may limit our ability to execute our business strategy;
- limit our ability to refinance our indebtedness on terms that are commercially reasonable, or at all;
- heighten our vulnerability to downturns in our business, our industry or in the general economy and restrict us from exploiting business opportunities or making acquisitions;
- place us at a competitive disadvantage compared to those of our competitors that may have proportionately less debt;
- limit management's discretion in operating our business; and
- limit our flexibility in planning for, or reacting to, changes in our business, the industry in which we operate or the general economy.

Each of these factors may have a material and adverse effect on our financial condition and viability. Our ability to satisfy our other debt obligations will depend on our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors affecting our company and industry, many of which are beyond our control.

We may be required to repurchase certain of our indebtedness with cash upon a change of control or other triggering events.

Upon the occurrence of specified change of control events or certain losses of our vessels in the agreements governing the 9.25% First Lien Notes, we will be required to offer to repurchase or repay all (or, in the case of events of losses of vessels, an amount up to the amount of proceeds received from such event of loss) of the 9.25% First Lien Notes at the price and upon the terms set forth in the applicable agreement. In addition, in connection with certain asset sales, we will be required to offer to repurchase or repay the 9.25% First Lien Notes as set forth in the agreement governing the 9.25% First Lien Notes. We may not have sufficient funds available to repurchase or repay all of the debt that becomes due and payable pursuant to any such offer, which would constitute an event of default that, in turn, would likely trigger a default under any other then-existing debt agreements. Moreover, the creditors under certain of our debt agreements may limit our ability to repurchase debt. In that event, we would need to refinance the applicable debt, or obtain a waiver under the applicable debt agreement, before making an offer to purchase. We may be unable to refinance such indebtedness or obtain a waiver. Any requirement to offer to repurchase or repay any of our existing debt may therefore require us to refinance some or all of our other outstanding debt, which we may not be able to accomplish on commercially reasonable terms, if at all. These repurchase requirements may also delay or make it more difficult for others to obtain control of us.

Public health threats could have a material adverse effect on our financial position, results of operations or cash flows.

Public health threats, including, but not limited to, COVID-19, Ebola, the H1N1 flu virus, the Zika virus, Severe Acute Respiratory Syndrome and other highly communicable diseases, outbreaks of which have occurred fairly recently in various parts of the world in which we operate, could adversely impact our operations, the operations of our clients and the global economy, including the worldwide demand for oil and natural gas and the level of demand for our services. Any quarantine of personnel or the inability to access our offices or rigs could adversely affect our operations. Travel restrictions or operational problems in any part of the world in which we operate, or any reduction in the demand for drilling services caused by public health threats in the future, may adversely affect our financial position, results of operations or cash flows.

Risks Related to Tax

Changes in tax laws, treaties or regulations, effective tax rates or adverse outcomes resulting from examination of our tax returns could adversely affect our financial results.

Our future effective tax rates could be adversely affected by changes in tax laws, treaties, and regulations both internationally and domestically. Tax laws, treaties and regulations are highly complex and subject to interpretation. Our income tax expense is based upon the interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings. If any country's tax authority successfully challenges our income tax filings based on our structure or the presence of our operations there, or if we otherwise lose a material dispute, our effective tax rate on worldwide earnings could increase substantially and our financial results could be materially adversely affected.

U.S. Holders will be required to pay U.S. taxes on their share of VDI's income even if they do not receive any cash distributions from VDI.

Because VDI is treated as a partnership for U.S. federal income tax purposes, U.S. Holders will be required to pay U.S. federal income taxes and, in some cases, U.S. state and local income taxes on their share of VDI's taxable income. Given VDI's current structure as a holding entity with no direct operations at the VDI level, we do not currently expect to generate material positive taxable income at VDI in the near term. However, to the extent VDI does generate positive taxable income, U.S. Holders would still be required to pay U.S. taxes on their share of said income regardless of whether or not we make corresponding distributions to our equity holders. In addition, we cannot assure you that our current structure will not change in the future. U.S. Holders may not receive cash distributions from VDI equal to their share of VDI's taxable income or even equal to the actual tax liability that results from their share of VDI's taxable income.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may, unless an exception applies, nonetheless be taxable as a corporation if it is a "publicly traded partnership." An entity that would otherwise be classified as a partnership is a publicly traded partnership if (1) interests in the partnership are traded on an established securities market or (2) interests in the partnership are readily tradable on a secondary market or the substantial equivalent thereof. It is likely that VDI will be treated as a "publicly traded partnership." However, an exception to taxation as a corporation, referred to as the "Qualifying Income Exception," exists if at least 90% of such partnership's gross income for every taxable year consists of "qualifying income" and the partnership is not required to register under the Investment Company Act. Qualifying income includes certain interest income, dividends, real property rents, gains from the sale or other disposition of real property, and any gain from the sale or disposition of a capital asset or other property held for the production of income that otherwise constitutes qualifying income. VDI believes that it currently meets, and expects that it will continue to meet, the Qualifying Income Exception.

Distributions made by VDI may reduce a U.S. Holder's tax basis in the Ordinary Shares, and therefore, U.S. Holders may realize a greater gain on the disposition of their Ordinary Shares than they otherwise may expect, and may have a tax gain even if the price they receive in a disposition of their Ordinary Shares is less than their original tax basis.

If U.S. Holders sell their Ordinary Shares, they will recognize gain or loss for U.S. federal income tax purposes that is equal to the difference between the amount realized and their tax basis in those Ordinary Shares. Prior distributions in excess of the total net taxable income allocated decrease a U.S. Holder's tax basis and will, in effect, become taxable income if Ordinary Shares are sold at a price greater than their tax basis, even if the price received is less than the U.S. Holder's original tax basis. Future cash distributions that exceed the U.S. Holder's tax basis would result in a gain for U.S. federal income tax purposes.

In the case of a disposition of Ordinary Shares, VDI's debt must be taken into account under the partnership tax accounting rules.

From time to time, VDI may incur debt for a variety of reasons. Under partnership tax accounting principles VDI's debt will generally be allocable to holders of VDI's Ordinary Shares, and the holders will include their respective allocable shares of the debt in the U.S. federal income tax basis of their Ordinary Shares. A holder's U.S. federal income tax basis in VDI's Ordinary Shares will be adjusted for, among other things, distributions of cash, if any, and allocations of items of VDI's income, gain, loss and deduction. At the time a U.S. Holder of VDI's Ordinary Shares later sells its Ordinary Shares, for U.S. federal income tax purposes, the U.S. Holder's amount realized on the sale will include not only the sales price of the Ordinary Shares but also the U.S. Holder's portion of VDI's indebtedness that is allocable to those Ordinary Shares.

U.S. tax-exempt holders and non-U.S. Holders face unique U.S. tax issues from owning Ordinary Shares that may result in adverse U.S. tax consequences to them.

Organizations exempt from U.S. federal income tax under Section 501(a) of the Code are subject to tax on "unrelated business taxable income" ("UBTI"). UBTI arises primarily as income from an unrelated trade or business regularly carried on or as income from "debt-financed" property. U.S. tax-exempt holders of Ordinary Shares generally would be subject to tax on their allocable shares of UBTI realized by VDI in the same manner as if such UBTI were realized directly by such organizations. Debt-financed property means property held to produce income with respect to which there is "acquisition indebtedness" (i.e., indebtedness incurred in acquiring or holding property). As VDI has incurred "acquisition indebtedness" (such as, for example, the 9.25% Senior Secured First Lien Notes), U.S. tax-exempt holders of Ordinary Shares may be subject to the tax on UBTI on their investment (for so long as VDI is treated as a partnership for U.S. federal income tax purposes and has acquisition indebtedness).

VDI expects to conduct its affairs so that it will not be treated as engaged in a trade or business within the U.S. for U.S. federal income tax purposes. As a consequence, VDI expects that (i) non-U.S. Holders will not be subject to U.S. federal tax on a net income basis with respect to the income of VDI, and (ii) VDI will not be required to withhold tax under Section 1446 of the Code with respect to non-U.S. Holders. If, however, VDI were determined to be engaged in a trade or business within the United States for U.S. federal income tax purposes, and had income effectively connected therewith, then, in the case of a non-U.S. Holder; (a) the share of VDI's income that is effectively connected with such trade or business that is allocable to such non-U.S. Holder could be subject to U.S. federal income withholding tax at a rate equal to the highest applicable U.S. federal income tax rate and such holder could be required to file a U.S. federal income tax return and pay U.S. federal income tax on its allocable share of VDI's net effectively connected income; (b) all or a portion of the gain on the disposition (including by redemption) of Ordinary Shares by such non-U.S. Holder could be taxed as effectively connected income to the extent such gain is attributable to assets of VDI that generate effectively connected income; (c) if such non-U.S. Holder is a corporation, such income could be subject to an additional branch profits tax of 30% on its allocable share of VDI's effectively connected earnings and profits, adjusted as provided by law (subject to reduction by any applicable tax treaty); and (d) such non-U.S. Holder, whether or not a corporation, could be viewed as being engaged in a trade or business within the United States and as maintaining an office or other fixed place of business within the United States, and certain other income of such non-U.S. Holder could be treated as effectively connected income (for example, a non-U.S. Holder who, pursuant to an applicable tax treaty, is currently not subject to tax with respect to a trade or business within the United States because such holder does not have a permanent establishment in the United States could lose the benefits of the tax treaty as a result of its ownership of Ordinary Shares).

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We maintain offices, land bases and other facilities in several worldwide locations, including our principal executive offices in Houston, Texas, an operational, executive and marketing office in Dubai and a regional administrative office in Singapore. We lease all of these facilities.

The description of our drilling fleet included under "Business" in Part I, Item 1 of this Annual Report is incorporated by reference in its entirety into this Part I, Item 2.

Item 3. Legal Proceedings.

Information regarding the Company's legal proceedings is set forth in "*Note 9. Commitments and Contingencies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report. The information discussed therein is incorporated by reference in its entirety into this Part I, Item 3.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Prices and Distributions

There is no established trading market for our New Shares and there has not been an established trading market for our New Shares since we emerged from bankruptcy on the Effective Date. Therefore, we are not able to provide information regarding the trading prices for the New Shares.

The Board of Directors declared the Special Cash Distribution to shareholders of record as of the close of business on December 10, 2019.

Other than the Special Cash Distribution, we have not made any cash or other distributions in respect of our New Shares to date and do not anticipate paying cash distributions in the immediate future as we contemplate that our cash flows will be used for debt reduction and growth. The payment of future distributions, if any, will be determined by the Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements, restrictions in financing agreements, business conditions and other factors. We are subject to certain restrictive covenants under the terms of the agreements governing our indebtedness, including restrictions on our ability to pay any cash distributions.

Repurchases of Equity Securities

The ability to make share repurchases is subject to, among other things, the discretion of our Board of Directors and the covenants in our credit agreement. There are no share repurchase programs outstanding at December 31, 2019.

There were no repurchases of equity securities during the fiscal fourth quarter ended December 31, 2019.

Information regarding the Company's shares available for issuance in connection with equity compensation plans is set forth in "*Note 7. Shareholders' Equity (Deficit)*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report. The information discussed therein is incorporated by reference in its entirety into this Part II, Item 5.

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Item 6. Selected Financial Data.

The following selected financial information should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included in "Item 8. Financial Statements and Supplementary Data."

	Successor				Predecessor	
	Year Ended December 31,					
(in thousands)	2019	2018	2017	Period from February 10, 2016 to December 31, 2016	Period from January 1, 2016 to February 10, 2016	Year Ended December 31, 2015
Consolidated Statement of Operations Data						
Revenue	$760,848 (1)	$ 225,747	$ 212,846	$ 158,648	$ 23,540	$ 772,265
Operating costs	156,893	171,041	161,974	123,069	25,213	359,610
General and administrative expenses	128,548	29,544	41,648	36,922	2,558	25,322
Depreciation and amortization	73,820	70,447	73,925	67,920	10,696	127,359
Income (loss) from operations	401,587	(45,285)	(64,701)	(69,263)	(14,927)	259,974
Gain (loss) on debt extinguishment	—	(1,271) (2)	—	—	—	10,823 (3)
Interest income (expense), net	69,793 (1)	(76,881)	(75,633)	(67,005)	(1,725)	(173,550) (4)
Other income (expense)	216	(1,505)	2,807	1,179	(69)	4,231
Reorganization items	—	—	—	(1,380)	(452,919) (5)	(39,354) (6)
Bargain purchase gain	—	—	1,910	—	—	—
Income (loss) before income taxes	471,596	(124,942)	(135,617)	(136,469)	(469,640)	62,124
Income tax provision	15,121	16,526	14,168	10,948	2,371	39,870
Net income (loss)	456,475	(141,468)	(149,785)	(147,417)	(472,011)	22,254
Net income (loss) attributable to noncontrolling interests	741	—	—	—	(969)	5,036
Net income (loss) attributable to shareholders	$455,734	$(141,468)	$(149,785)	$(147,417)	$(471,042)	$ 17,218
Earnings (loss) per share						
Basic	$ 80.27	$ (28.29)	$ (29.96)	$ (29.48)	N/A	N/A
Diluted	$ 80.27	$ (28.29)	$ (29.96)	$ (29.48)		
Special Cash Distribution declared per share	$ 40.03	N/A	N/A	N/A	N/A	N/A
Other Financial Data						
EBITDA Reconciliation						
Net income (loss)	$456,475	$(141,468)	$(149,785)	$(147,417)	$(472,011)	$ 22,254
Interest (income)	(69,793)	76,881	75,633	67,005	1,725	173,550

expense						
Income tax provision	15,121	16,526	14,168	10,948	2,371	39,870
Depreciation	73,820	70,447	73,925	67,920	10,696	127,359
EBITDA (7)	475,623	22,386	13,941	(1,544)	(457,219)	363,033
Gain (loss) on debt extinguishment	—	1,271	—	—	—	(10,823)
Reorganization items	—	—	—	1,380	452,919	39,354
Bargain purchase gain	—	—	(1,910)	—	—	—
Adjusted EBITDA (8)	$475,623	$ 23,657	$ 12,031	$ (164)	$ (4,300)	$ 391,564
Balance Sheet Data (as of end of period)						
Cash and cash equivalents	$231,947	$ 224,967	$ 195,455	$ 231,727	N/A	$ 203,420
Total other current assets	113,890	101,266	102,541	78,479	N/A	157,323
Property and equipment, net	721,126	787,303	763,191	834,528	N/A	2,948,387

	Successor				Predecessor	
	Year Ended December 31,					
	2019	2018	2017	Period from February 10, 2016 to December 31, 2016	Period from January 1, 2016 to February 10, 2016	Year Ended December 31, 2015
Total other assets	23,774	16,026	21,935	15,694	N/A	23,050
Total assets	$1,090,737	$1,129,562	$1,083,122	$1,160,428	N/A	$3,332,180
Total current liabilities	$ 76,535	$ 62,355	$ 69,213	$ 55,161	N/A	$ 132,616
Long-term debt	343,579	1,109,011	919,939	867,372	N/A	— (9)
Other long-term liabilities	17,532	22,889	17,195	11,335	N/A	33,097
Liabilities subject to compromise	—	—	—	—	N/A	2,694,456
Controlling interest shareholder's equity (deficit)	651,847	(64,693)	76,775	226,560	N/A	456,756
Noncontrolling interests	1,244	—	—	—	N/A	15,255
Total liabilities and shareholders' equity (deficit)	$1,090,737	$1,129,562	$1,083,122	$1,160,428	N/A	$3,332,180
Cash Flow Data						
Net cash provided by (used in) operating activities	$ 535,639	$ 12,794	$ (19,873)	$ (4,874)	$ (20,365)	$ 92,587
Net cash provided by (used in) investing activities	(7,798)	(94,613)	(14,969)	(11,964)	116	(46,490)
Net cash provided by (used in) financing activities	(524,284)	125,751	(1,430)	(1,481)	66,875	81,522

(1) Includes $594.0 million in “Contract termination revenue” and $106.9 million in “Interest Income” associated with the Petrobras Payments from the Petrobras Parties.
(2) Includes the write-off of $1.0 million of deferred financing costs.
(3) Includes redemption discounts totaling $11.5 million in connection with discretionary open market repurchases of our pre-bankruptcy indebtedness offset by $0.7 million for the write-off of associated issuance discounts and deferred financing costs.
(4) Contractual interest of $178,049 during the year ended December 31, 2015.
(5) Includes $2.1 billion in adjustments as a result of the adoption of fresh-start accounting and $22.7 million of post-petition professional fees incurred in connection with our bankruptcy proceedings offset by $1.6 billion net gain on settlement of LSTC in accordance with the Reorganization Plan.
(6) Includes the write-off of $31.4 million of deferred finance charges and $5.7 million of debt discount and $2.2 million of post-petition professional fees incurred in connection with our bankruptcy proceedings.
(7) EBITDA represents net income (loss) before (i) interest income (expense), (ii) provision for income taxes and (iii) depreciation and amortization expense. EBITDA is not a financial measure under GAAP as defined under the rules of the SEC, and is intended as a supplemental measure of our performance. We believe this measure is commonly used by analysts and investors to analyze and compare companies on the basis of operating performance.
(8) Adjusted EBITDA represents EBITDA adjusted to exclude gain (loss) on debt extinguishment, reorganization items and bargain purchase gain. Adjusted EBITDA is a non-GAAP financial measure as defined under the rules of the SEC, and is intended as a supplemental measure of our performance. We believe this measure is commonly used by analysts and investors to analyze and compare companies on the basis of operating performance.
EBITDA and Adjusted EBITDA are not a substitute for GAAP measures of net income, operating income or any other performance measure derived in accordance with GAAP or as an alternative to cash flows from operating activities or other liquidity measures derived in accordance with GAAP.
(9) $2.7 billion of long-term debt was classified as LSTC as of December 31, 2015.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is intended to assist you in understanding our financial position and our results of operations for the years ended December 31, 2019, 2018 and 2017. The following discussion should be read in conjunction with the information contained in “Item 1. Business,” “Item 1A. Risk Factors” in Part I of this Annual Report and “Item 8. Financial Statements and Supplementary Data” in Part II of this Annual Report. Certain previously reported amounts have been reclassified to conform to the current year presentation.

Overview

We are an international offshore drilling company focused on operating a fleet of modern, high specification drilling units. Our principal business is to contract drilling units, related equipment and work crews, primarily on a dayrate basis to drill oil and natural gas wells for our customers. Through our fleet of drilling units we are a provider of offshore contract drilling services to major, national and independent oil and natural gas companies, focused on international markets. Additionally, for drilling units owned by others, we provide construction supervision services for rigs that are under construction, preservation management services for rigs that are stacked and operations and marketing services for operating rigs.

The following table sets forth certain information concerning our offshore drilling fleet as of February 24, 2020.

Name	Year Built	Water Depth Rating (feet)	Drilling Depth Capacity (feet)	Location	Status
Jackups					
Emerald Driller	2008	375	30,000	Qatar	Operating
Sapphire Driller	2009	375	30,000	Congo	Operating
Aquamarine Driller	2009	375	30,000	Malaysia	Operating
Topaz Driller	2009	375	30,000	Gabon	Operating
Soehanah	2007	375	30,000	Indonesia	Contract Preparation (1)
Drillships (2)					
Platinum Explorer	2010	12,000	40,000	India	Operating
Titanium Explorer	2012	12,000	40,000	South Africa	Warm stacked
Tungsten Explorer	2013	12,000	40,000	Mediterranean	Contract Preparation

(1) The *Soehanah* recently completed a bareboat charter to an affiliate of P.T. Apexindo Pratama Duta Tbk and is currently preparing for drilling operations in Indonesia.

(2) The drillships are designed to drill in up to 12,000 feet of water. The *Platinum Explorer, Titanium Explorer* and *Tungsten Explorer* are currently equipped to drill in 10,000 feet of water.

Business Outlook

Expectations about future oil and natural gas prices have historically been a key driver of demand for our services. The International Energy Agency, in their March 2020 Oil Market Report, expects demand to fall year-on-year, by 90 thousand barrels per day for the first time since 2009. Although oil prices partially rebounded from the historical lows experienced during early 2016, reaching highs near $80 per barrel in early October 2018, oil prices continue to fluctuate, ending 2019 near $70 per barrel. Oil prices are currently trading below $40 per barrel largely in response to concerns about coronavirus and its potential impact on worldwide demand for oil. As a result of this price volatility and uncertainty for the future, operators generally continue to display a cautious approach to offshore capital expenditures.

In addition to the reduction in demand for drilling rigs, the additional supply of newbuild rigs is further depressing the market. According to Bassoe, there are currently 49 jackups and 26 deepwater/harsh environment floaters on order at shipyards with scheduled deliveries extending out to July 2022. It is unclear when these drilling rigs will actually be delivered as many rig deliveries have already been deferred to later dates and some rig orders have been canceled. In response to the oversupply of drilling rigs, a number of competitors are removing older, less efficient rigs from their fleets by either cold stacking the drilling rigs or taking them permanently out of service.

Furthermore, according to Bassoe, 242 rigs have been removed from the drilling fleet since the oil price decline in 2014. Of these 242 rigs, 130 are floaters (semisubmersibles and drillships) and 112 are jackups. While we believe rig recycling to be an important element in bringing the supply of drilling rigs back into alignment with demand, we do not anticipate that it will be sufficient to materially improve market conditions in 2020.

In response to both market conditions and excessive levels of idle capacity, there has been intense pressure on operating dayrates as drilling contractors generally prefer to maintain rigs in an active state and customers generally favor recently operating rigs over reactivated cold-stacked rigs. Therefore, while opportunities for our services have increased over the past year, albeit at a slow rate as the market gradually absorbs the oversupply of active and warm drilling rigs, increases in dayrates have been more evident in the jackup sector while pricing improvement is now slowly being observed in the floater sector. However, we expect that the continued market volatility and international tensions over prices and supply will present challenges in the industry in the near term.

The following table reflects a summary of our contract drilling backlog coverage of days contracted and related revenue as of December 31, 2019 forward (based on information available at that time).

	Percentage of Days Contracted		Revenues Contracted (in thousands)		
	2020	2021	2020	2021	Beyond
Jackups	69%	13%	$ 71,029	$ 18,620	$ —
Drillships	45%	0%	$ 59,394	$ —	$ —

Results of Operations

Operating results for our contract drilling services are dependent on three primary metrics: available days, rig utilization and dayrates. The following table sets forth this selected operational information for the periods indicated:

	Year Ended December 31,		
	2019	2018	2017
Jackups			
Rigs available	5	5	5
Available days (1)	1,460	1,514	1,657
Utilization (2)	97.4%	92.2%	82.0%
Average daily revenues (3)	$ 63,459	$ 61,452	$ 62,556
Deepwater			
Rigs available	3	3	3
Available days (1)	1,095	1,095	1,095
Utilization (2)	46.1%	54.5%	36.2%
Average daily revenues (3)	$ 107,660	$ 197,284	$ 265,887

(1) Available days are the total number of rig calendar days in the period. Rigs are excluded while under bareboat charter contracts and removed upon classification as held for sale and no longer eligible to earn revenue.

(2) Utilization is calculated as a percentage of the actual number of revenue earning days divided by the available days in the period. A revenue earning day is defined as a day for which a rig earns dayrate after commencement of operations.

(3) Average daily revenues are based on contract drilling revenues divided by revenue earning days. Average daily revenue will differ from average contract dayrate due to billing adjustments for any non-productive time, mobilization fees and demobilization fees.

Years Ended December 31, 2019 and 2018

Net income for the Current Year was $455.7 million, or $80.27 per basic share, on operating revenues of $760.8 million, compared to net loss for the Comparable Year of $141.5 million, or $28.29 per basic share, on operating revenues of $225.7 million.

The following table is an analysis of our operating results for the year ended December 31, 2019 and 2018.

	Year Ended December 31,		Change	
	2019	**2018**	**$**	**%**
(in thousands)				
Revenues				
Contract drilling services	$ 144,571	$ 203,565	$ (58,994)	-29%
Contract termination revenue	594,029	—	594,029	**
Reimbursables and other	22,248	22,182	66	0%
Total revenues	760,848	225,747	535,101	237%
Operating costs and expenses				
Operating costs	156,893	171,041	(14,148)	-8%
General and administrative	128,548	29,544	99,004	335%
Depreciation	73,820	70,447	3,373	5%
Total operating costs and expenses	359,261	271,032	88,229	33%
Income (loss) from operations	401,587	(45,285)	446,872	-987%
Other income (expense)				
Interest income	116,368	1,898	114,470	6031%
Interest expense and financing charges	(46,575)	(78,779)	32,204	-41%
Loss on debt extinguishment	—	(1,271)	1,271	-100%
Other, net	216	(1,505)	1,721	-114%
Other income (expense)	70,009	(79,657)	149,666	-188%
Income (loss) before income taxes	471,596	(124,942)	596,538	-477%
Income tax provision	15,121	16,526	(1,405)	-9%
Net income (loss)	456,475	(141,468)	597,943	-423%
Net income (loss) attributable to noncontrolling interests	741	—	741	**
Net income (loss) attributable to shareholders	$ 455,734	$ (141,468)	$ 597,202	-422%

Revenue: Total revenue increased $535.1 million due primarily to $594.0 million of revenue received from the Petrobras Parties during the Current Year as a result of the termination of the *Titanium Explorer* contract. Please refer to "*Note 9. Commitments and Contingencies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report for further information. The information discussed therein is incorporated by reference in its entirety into this Part II, Item 7.

Contract drilling revenue decreased 29% for the Current Year as compared to the Comparable Year due primarily to lower utilization of the *Tungsten Explorer* with the completion of operations in West Africa in October 2018, resulting in $68.9 million lower revenue. After completing required equipment recertifications and certain upgrades, the *Tungsten Explorer* recommenced operations in Egypt in May 2019. This decrease was partially offset by higher utilization of the *Topaz Driller* and higher revenue efficiency on the *Platinum Explorer* in the Current Year, which contributed an incremental $3.5 million and $5.5 million, respectively, in contract drilling revenue during the Current Year.

Operating costs: Operating costs for the Current Year decreased 8% as compared to the Comparable Year. Deepwater operating costs for the Current Year decreased $9.5 million due primarily to lower costs on the *Tungsten Explorer,* which operated 150 fewer days in the Current Year. Jackup operating costs for the Current Year decreased $4.1 million due primarily to the completion of the non-cash amortization of the *Vantage 260* contract value in April 2019. The Current Year and the Comparable Year included $1.6 million and $6.3 million, respectively, for non-cash amortization of the contract value. Higher jackup operating costs in the Comparable Year were offset by a gain on disposal of the *Vantage 260* in the amount of $2.9 million.

General and administrative expenses: Increases in general and administrative expenses for the Current Year as compared to the Comparable Year were primarily due to a $102.3 million increase in expenses associated with non-routine matters, including among others, $63.4 million for the remaining contingency legal fee related to the collection of the Petrobras Award and to a $30.5 million increase in insurance costs for judgment preservation insurance to insure against the contingency of being required to return the Petrobras Payment. General and administrative expenses for the Current Year and for the Comparable Year included approximately $0.6 million and $5.2 million, respectively, of non-cash share-based compensation expense. The decrease in non-cash share-based compensation expense was offset by an increase in cash compensation expense of $5.6 million for cash awards granted to certain key employees of the Company pursuant to underlying award agreements and issued under the Amended 2016 MIP.

Depreciation expense: Depreciation expense for the Current Year increased 5% as compared to the Comparable Year, due primarily to the acquisition of the *Soehanah* on December 31, 2018.

Interest income: Interest income for the Current Year increased $114.5 million as compared to the Comparable Year due primarily to interest derived from the Petrobras Payments received during the Current Year. Please refer to "*Note 9. Commitments and Contingencies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report for further information. The information discussed therein is incorporated by reference in its entirety into this Part II, Item 7.

Interest expense and financing charges: Interest expense for the Current Year decreased 41% as compared to the Comparable Year primarily due to decreased discount accretion on the Convertible Notes, which was fully amortized in February 2019. Interest expense included non-cash discount accretion, PIK interest and deferred financing costs totaling approximately $14.1 million and $57.6 million for the Current Year and for the Comparable Year, respectively.

Loss on debt extinguishment: In November 2018, we paid approximately $0.3 million in prepayment interest penalties and wrote off approximately $1.0 million in deferred financing costs in connection with the early redemption of all outstanding 10% Second Lien Notes.

Other, net: Our functional currency is USD; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than USD. These transactions are remeasured in USD based on a combination of both current and historical exchange rates. A net foreign currency exchange gain of $0.2 million and a net foreign currency exchange loss of $1.5 million were included in other, net, for the Current Year and the Comparable Year, respectively.

Income tax provision: Income tax expense decreased in the Current Year as compared to the Comparable Year, mainly due to the change in jurisdiction of operations and tax benefits realized in certain jurisdictions. Our income taxes are generally dependent upon the results of our operations and the local income taxes in the jurisdictions in which we operate. In some jurisdictions we do not pay taxes or receive benefits for certain income and expense items, including interest expense and disposal gains or losses. In other jurisdictions, we recognize income taxes on a net income basis or a deemed profit basis. Our operations are usually carried out in taxable jurisdictions that impact our income tax provision.

Years Ended December 31, 2018 and 2017

For a comparison of our results of operations for the fiscal years ended December 31, 2018 and 2017, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on March 14, 2019.

Liquidity and Capital Resources

As of December 31, 2019, we had working capital of approximately $269.3 million, including approximately $231.9 million of cash available for general corporate purposes. Scheduled interest payments through December 31, 2020 are approximately $32.4 million. We do not have any scheduled principal debt maturities until 2023. We anticipate capital expenditures through December 31, 2020 to be between approximately $7.0 million and approximately $9.5 million for sustaining capital and capital spares. As our rigs obtain new contracts, we could incur reactivation and mobilization costs for these rigs, as well as customer requested equipment upgrades. These costs could be significant and may not be fully recoverable from the customer. Additionally, through December 31, 2020, we anticipate incremental expenditures for special periodic surveys, major repair and maintenance expenditures and equipment recertifications to be between approximately $26.0 million and approximately $32.0 million. As of December 31, 2019, we had $39.9 million available for the issuance of letters of credit under our cash collateralized letter of credit facility.

On June 20, 2019, VDEEP and VDDI entered into the Petrobras Agreement with the Petrobras Parties relating to the Petrobras Award. Please refer to "*Note 9. Commitments and Contingencies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report for further information regarding the Petrobras Agreement and the Petrobras Award. The information discussed therein is incorporated by reference in its entirety into this Part II, Item 7.

The table below includes a summary of our cash flow information for the periods indicated:

	Year Ended December 31,		
	2019	**2018**	**2017**
(in thousands)			
Cash flows provided by (used in):			
Operating activities	$ 535,639	$ 12,794	$ (19,873)
Investing activities	(7,798)	(94,613)	(14,969)
Financing activities	(524,284)	125,751	(1,430)

Changes in cash flows from operating activities are driven by changes in net income (see discussion of changes in net income above in “Results of Operations” in this Part II, Item 7).

Cash flows used in investing activities in the Current Year are primarily for capital expenditures on an MPD system.

Cash flows used in financing activities in the Current Year are primarily for the Special Cash Distribution paid to shareholders of record as of the close of business on December 10, 2019. See “*Note 7. Shareholders’ Equity (Deficit)*” of the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report for further information.

For a comparison of our Cash Flows for the fiscal years ended December 31, 2018 and 2017, see “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our annual report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC on March 14, 2019.

The significant elements of the 9.25% First Lien Notes are described in “*Note 6. Debt*” of the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report.

We enter into operating leases in the normal course of business for office space, housing, vehicles and specified operating equipment. Some of these leases contain options that would cause our future cash payments to change if we exercised those options.

Contractual Obligations

In the table below, we set forth our contractual obligations as of December 31, 2019. Some of the figures included in this table are based on our estimates and assumptions about these obligations, including their duration and other factors. The contractual obligations we may actually pay in future periods may vary from those reflected in the table because the estimates and assumptions are subjective.

	Total	**2020**	**2021-2022**	**2023-2024**	**After 5 Years**
			(in thousands)		
Principal payments on 9.25% First Lien Notes	$ 350,000	$ —	$ —	$ 350,000	$ —
Interest payments (1)	129,551	32,388	64,776	32,387	—
Operating lease payments (2)	8,032	4,149	2,934	949	—
Purchase obligations (3)	16,828	16,828	—	—	—
Total as of December 31, 2019	$ 504,411	$ 53,365	$ 67,710	$ 383,336	$ —

(1) Interest on the 9.25% First Lien Notes is payable at 9.25% in May and November of each year until the maturity date of November 15, 2023.

(2) Amounts represent lease payments under existing operating leases. We enter into operating leases in the normal course of business, some of which contain renewal options. Our future cash payments would change if we exercised those renewal options and if we enter into additional operating leases.

(3) Amounts consist of obligations to external vendors primarily related to capital expenditures, materials, spare parts, consumables and related supplies for our drilling rigs.

On November 30, 2018, we issued $350.0 million in aggregate principal amount of 9.25% First Lien Notes in a private placement at par. The proceeds of the issuance were used (i) to repay all obligations under the 2016 Term Loan Facility and to terminate the credit agreement governing such facility, (ii) to redeem all outstanding 10% Second Lien Notes, (iii) to fund the remaining amounts to be paid in connection with the purchase of the *Soehanah* jack up rig, (iv) to pay fees and expenses related to the foregoing and to the offering of the 9.25% First Lien Notes and (v) for general corporate purposes. The 9.25% First Lien Notes are guaranteed on a joint and several basis by the Company’s direct and indirect subsidiaries and are secured by a first priority lien on substantially all of the assets of the Company and its subsidiaries, in each case subject to certain exceptions. The 9.25% First Lien Notes will not be registered under the Securities Act or any state securities laws.

Concurrently with the issuance of the 9.25% First Lien Notes, we entered into a new letter of credit facility to replace the letter of credit facility existing under the 2016 Term Loan Facility. The new facility has a capacity of $50.0 million, with all outstanding letters of credit being cash collateralized. As of December 31, 2019, we had $39.9 million available for the issuance of letters of credit under this cash collateralized letter of credit facility.

Commitments and Contingencies

We are subject to litigation, claims and disputes in the ordinary course of business, some of which may not be covered by insurance. Information regarding our legal proceedings is set forth in “*Note 9. Commitments and Contingencies*” of the “Notes to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report. The information discussed therein is incorporated by reference in its entirety into this Part II, Item 7.

There is an inherent risk in any litigation or dispute and no assurance can be given as to the outcome of any claims. We do not believe the ultimate resolution of any existing litigation, claims or disputes will have a material adverse effect on our financial position, results of operations or cash flows.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our significant accounting policies are included in "*Note 2. Basis of Presentation and Significant Accounting Policies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report. While management believes current estimates are appropriate and reasonable, actual results could materially differ from those estimates. We have identified the policies below as critical to our business operations and the understanding of our financial operations.

Property and Equipment: Our long-lived assets, primarily consisting of the values of our drilling rigs, are the most significant amount of our total assets. We make judgments with regard to the carrying value of these assets, including amounts capitalized, componentization, depreciation and amortization methods, salvage values and estimated useful lives. Drilling rigs are depreciated on a component basis over estimated useful lives on a straight-line basis as of the date placed in service. Other assets are depreciated upon placement in service over estimated useful lives on a straight-line basis.

We evaluate the realization of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss on our property and equipment exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized would be computed as the excess of the asset's carrying value over the estimated fair value. Estimates of future cash flows require us to make long-term forecasts of our future revenues and operating costs with regard to the assets subject to review. Our business, including the utilization rates and dayrates we receive for our drilling rigs, depends on the level of our customers' expenditures for oil and natural gas exploration, development and production expenditures. Oil and natural gas prices and customers' expectations of potential changes in these prices, the general outlook for worldwide economic growth, political and social stability in the major oil and natural gas producing basins of the world, availability of credit and changes in governmental laws and regulations, among many other factors, significantly affect our customers' levels of expenditures. Sustained declines in or persistent depressed levels of oil and natural gas prices, worldwide rig counts and utilization, reduced access to credit markets, reduced or depressed sale prices of comparably equipped jackups and drillships and any other significant adverse economic news could require us to evaluate the realization of our drilling rigs. In connection with our adoption of fresh-start accounting upon our emergence from bankruptcy on the Effective Date, an adjustment of $2.0 billion was recorded to decrease the net book value of our drilling rigs to estimated fair value. As of December 31, 2019, no triggering event has occurred to indicate that the current carrying value of our drilling rigs may not be recoverable.

Income Taxes: VDI is a Cayman Islands corporation. The Cayman Islands do not impose corporate income taxes. Consequently, we have calculated income taxes based on the laws and tax rates in effect in the countries in which operations are conducted, or in which we and our subsidiaries are considered resident for income tax purposes. We operate in multiple countries under different legal forms. As a result, we are subject to the jurisdiction of numerous domestic and foreign tax authorities, as well as to tax agreements and treaties among these governments. Tax rates vary between jurisdictions, as does the tax base to which the rates are applied. Taxes may be levied based on net profit before taxes or gross revenues or as withholding taxes on revenue. Determination of income tax expense in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions, permissible revenue recognition methods under the tax law and the sources and character of income and tax credits. We recognize interest and penalties related to income taxes as a component of income tax expense.

Our income tax expense may vary substantially from one period to another as a result of changes in the tax laws, regulations, agreements and treaties, foreign currency exchange restrictions and fluctuations, rig movements or our level of operations or profitability in each tax jurisdiction. Furthermore, our income taxes are generally dependent upon the results of our operations and when we generate significant revenues in jurisdictions where the income tax liability is based on gross revenues or asset values, there is no correlation to the net operating results and the income tax expense.

Furthermore, in some jurisdictions we do not pay taxes or pay taxes at low rates or receive benefits for certain income and expense items, including interest expense, loss on extinguishment of debt, gains or losses on disposal or transfer of assets, reorganization expenses and write-off of development costs. In certain jurisdictions we are taxed under preferential tax regimes, which may require our compliance with specified requirements to sustain the tax benefits. We believe we are in compliance with the specified requirements and will continue to make all reasonable efforts to comply; however, our ability to satisfy the requirements of the preferential tax regimes may be affected by changes in laws, our business operations and other factors affecting our company.

We do not establish deferred tax liabilities for certain of our foreign earnings that we intend to indefinitely reinvest to finance foreign activities. Should a future distribution be made from any unremitted earnings of our foreign subsidiaries, we may be required to record additional taxes in certain jurisdictions. However, it is not practical at this time to estimate the unremitted earnings or the potential tax liability due to the complexity of the hypothetical calculations.

Deferred income tax assets and liabilities are recorded for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. We provide for deferred taxes on temporary differences between the financial statements and tax bases of assets and liabilities using the enacted tax rates which are expected to apply to taxable income when the temporary differences are expected to reverse. Deferred tax assets are also provided for certain loss and tax credit carryforwards. A valuation allowance is established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Change in accounting for lease arrangements (Adoption of ASC Topic 842).

We adopted ASC Topic 842: Leases, as amended, on January 1, 2019 electing to apply the standard prospectively and not restating comparative periods. Please refer to "*Note 2. Basis of Presentation and Significant Accounting Policies*" and "*Note 5. Leases*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report for further information. The information discussed therein is incorporated by reference in its entirety into this Part II, Item 7.

Recent Accounting Standards: See "*Note 2. Basis of Presentation and Significant Accounting Policies*" of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report for further information. The information discussed therein is incorporated by reference in its entirety into this Part II, Item 7.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our rigs operate in various international locations and thus are sometimes subject to foreign exchange risk. We may from time to time also be exposed to certain commodity price risk, equity price risk and risks related to other market driven rates or prices. We do not enter into derivatives or other financial instruments for trading or speculative purposes. The significant decline in worldwide exploration and production spending as a result of reduced oil prices since 2014 has negatively impacted the offshore contract drilling business as discussed in "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Interest Rate Risk: As of December 31, 2019, we had no variable rate debt outstanding.

Foreign Currency Exchange Rate Risk. Our functional currency is USD, which is consistent with the oil and gas industry. However, outside the United States, a portion of our expenses are incurred in local currencies. Therefore, when USD weakens (strengthens) in relation to the currencies of the countries in which we operate, our expenses reported in USD will increase (decrease). A substantial majority of our revenues are received in USD, our functional currency; however, in certain countries in which we operate, local laws or contracts may require us to receive some payment in the local currency. We are exposed to foreign currency exchange risk to the extent the amount of our monetary assets denominated in the foreign currency differs from our obligations in that foreign currency. In order to mitigate the effect of exchange rate risk, we attempt to limit foreign currency holdings to the extent they are needed to pay liabilities in the local currency. To further manage our exposure to fluctuations in currency exchange rates, foreign exchange derivative instruments, specifically foreign exchange forward contracts, or spot purchases, may be used. A foreign exchange forward contract obligates us to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent USD payment equal to the value of such exchange. We do not enter into derivative transactions for speculative purposes. As of December 31, 2019, we did not have any open foreign exchange derivative contracts or material foreign currency exposure risk.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of
Vantage Drilling International
Houston, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Vantage Drilling International (the “Company”) and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of operations, shareholders’ equity (deficit) and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2019 and 2018 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2014

Houston, Texas

March 9, 2020

Vantage Drilling International
Consolidated Balance Sheet
(In thousands)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 231,947	$ 224,967
Restricted cash	2,511	10,362
Trade receivables	46,504	28,431
Inventory	48,368	45,195
Prepaid expenses and other current assets	16,507	17,278
Total current assets	345,837	326,233
Property and equipment		
Property and equipment	1,002,968	996,139
Accumulated depreciation	(281,842)	(208,836)
Property and equipment, net	721,126	787,303
Operating lease ROU assets	6,706	-
Other assets	17,068	16,026
Total assets	$ 1,090,737	$ 1,129,562
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	$ 49,599	$ 44,372
Other current liabilities	26,936	17,983
Total current liabilities	76,535	62,355
Long–term debt, net of discount and financing costs of $6,421 and $12,914	343,579	1,109,011
Other long-term liabilities	17,532	22,889
Commitments and contingencies (see Note 9)		
Shareholders' equity (deficit)		
Ordinary shares, $0.001 par value, 50 million shares authorized; 13,115,026 and 5,000,053 shares issued and outstanding, respectively	13	5
Additional paid-in capital	634,770	373,972
Accumulated earnings (deficit)	17,064	(438,670)
Controlling interest shareholders' equity (deficit)	651,847	(64,693)
Noncontrolling interests	1,244	-
Total equity (deficit)	653,091	(64,693)
Total liabilities and shareholders’ equity (deficit)	$ 1,090,737	$ 1,129,562

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

Vantage Drilling International
Consolidated Statement of Operations
(In thousands, except per share data)

	Year Ended December 31, 2019	2018	2017
Revenue			
Contract drilling services	$ 144,571	$ 203,565	$ 190,553
Contract termination revenue	594,029	—	—
Reimbursables and other	22,248	22,182	22,293
Total revenue	760,848	225,747	212,846
Operating costs and expenses			
Operating costs	156,893	171,041	161,974
General and administrative	128,548	29,544	41,648
Depreciation	73,820	70,447	73,925
Total operating costs and expenses	359,261	271,032	277,547
Income (loss) from operations	401,587	(45,285)	(64,701)
Other income (expense)			
Interest income	116,368	1,898	808
Interest expense and other financing charges	(46,575)	(78,779)	(76,441)
Loss on debt extinguishment	—	(1,271)	—
Other, net	216	(1,505)	2,807
Bargain purchase gain	—	—	1,910
Total other income (expense)	70,009	(79,657)	(70,916)
Income (loss) before income taxes	471,596	(124,942)	(135,617)
Income tax provision	15,121	16,526	14,168
Net income (loss)	456,475	(141,468)	(149,785)
Net income (loss) attributable to noncontrolling interests	741	—	—
Net income (loss) attributable to shareholders	$ 455,734	$ (141,468)	$ (149,785)
Earnings (loss) per share			
Basic and Diluted	$ 80.27	$ (28.29)	$ (29.96)

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

Vantage Drilling International
Consolidated Statement of Shareholder’s Equity
(In thousands)

	Ordinary Shares						
	Shares	Amount	Additional Paid-in Capital	Accumulated Earnings (Deficit)	Non-Controlling Interests	Total Equity
Balance December 31, 2016	5,000	$ 5	$ 373,972	$ (147,417)	$ —	$ 226,560
Net loss	—	—	—	(149,785)	—	(149,785)
Balance December 31, 2017	5,000	$ 5	$ 373,972	$ (297,202)	$ —	$ 76,775
Net loss	—	—	—	(141,468)	—	(141,468)
Balance December 31, 2018	5,000	$ 5	$ 373,972	$ (438,670)	$ —	$ (64,693)
Common stock issued (see Note 7)	8,115	8	779,071	—	—	779,079
Reclassification of Share-based compensation (see Note 7)	—	—	12,087	—	—	12,087
Distribution to shareholders (see Note 7)	—	—	(524,994)	—	—	(524,994)
Share-based compensation	—	—	435	—	—	435
Share-based compensation - dividend equivalents (see Note 7)	—	—	(5,801)	—	—	(5,801)
Contributions from holders of noncontrolling interests	—	—	—	—	503	503
Net income	—	—	—	455,734	741	456,475
Balance December 31, 2019	13,115	$ 13	$ 634,770	$ 17,064	$ 1,244	$ 653,091

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

Vantage Drilling International
Consolidated Statement of Cash Flows
(In thousands)

	Year Ended December 31,		
	2019	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 456,475	$ (141,468)	$ (149,785)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	73,820	70,447	73,925
Amortization of debt financing costs	1,627	556	468
Amortization of debt discount	5,354	49,417	48,925
Amortization of contract value	1,643	6,311	4,686
PIK interest on the Convertible Notes	7,132	7,648	7,604
Share-based compensation expense	957	7,165	3,997
Gain on bargain purchase	—	—	(1,910)
Non-cash loss on debt extinguishment	—	975	—
Deferred income tax (benefit) expense	(51)	1,742	(1,964)
(Gain) loss on disposal of assets	155	(1,301)	335
Changes in operating assets and liabilities:			
Trade receivables	(18,073)	16,948	(24,529)
Inventory	(3,174)	1,911	1,251
Prepaid expenses and other current assets	771	(6,121)	1,267
Other assets	4,265	2,339	2,638
Accounts payable	5,227	4,706	4,383
Other current liabilities and other long-term liabilities	(489)	(8,481)	8,836
Net cash provided by (used in) operating activities	535,639	12,794	(19,873)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(7,798)	(14,316)	(2,224)
Cash paid for *Soehanah* acquisition	—	(85,000)	—
Cash paid for *Vantage 260* acquisition	—	—	(13,000)
Net proceeds from sale of *Vantage 260*	—	4,703	255
Net cash used in investing activities	(7,798)	(94,613)	(14,969)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	—	(216,265)	(1,430)
Proceeds from issuance of 9.25% First Lien Notes	—	350,000	—
Contributions from holders of noncontrolling interests	1,197	—	—
Distributions to shareholders	(524,994)	—	—
Debt issuance costs	(487)	(7,688)	—
Debt prepayment costs	—	(296)	—
Net cash (used in) provided by financing activities	(524,284)	125,751	(1,430)
Net increase (decrease) in unrestricted and restricted cash and cash equivalents	3,557	43,932	(36,272)
Unrestricted and restricted cash and cash equivalents—beginning of period	239,387	195,455	231,727
Unrestricted and restricted cash and cash equivalents—end of period	$ 242,944	$ 239,387	$ 195,455
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for:			
Interest	$ 31,125	$ 22,538	$ 15,596
Income taxes (net of refunds)	13,548	14,859	17,679
Non-cash investing and financing transactions:			
Conversion of Convertible Notes into Ordinary Shares	779,079	—	—
Payment of interest in kind on the Convertible Notes	$ 3,867	$ 7,647	$ 7,604
Trade-in value on equipment upgrades	—	570	—

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

VANTAGE DRILLING INTERNATIONAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Recent Events

Vantage Drilling International, a Cayman Islands exempted company, together with its consolidated subsidiaries (collectively the "Company"), is an international offshore drilling company focused on operating a fleet of modern, high specification drilling units. Our principal business is to contract drilling units, related equipment and work crews, primarily on a dayrate basis to drill oil and natural gas wells for our customers. Through our fleet of drilling units, we are a provider of offshore contract drilling services to major, national and independent oil and natural gas companies, focused on international markets. Additionally, for drilling units owned by others, we provide construction supervision services for rigs that are under construction, preservation management services for rigs that are stacked and operations and marketing services for operating rigs.

Drilling Contract Arbitration

On June 20, 2019, VDEEP and VDDI entered into the Petrobras Agreement with the Petrobras Parties relating to the Petrobras Award. See "*Note 9. Commitments and Contingencies*" of these "Notes to Consolidated Financial Statements" for additional details pertaining to the Petrobras Agreement and the Petrobras Award.

Repurchase Offer

On July 8, 2019, we commenced an offer (the "Repurchase Offer") to repurchase up to $75.0 million of the 9.25% First Lien Notes. See "*Note 6. Debt*" of these "Notes to Consolidated Financial Statements" for additional information regarding the Repurchase Offer.

Conversion of Convertible Notes

On November 18, 2019, the Company announced that the Board of Directors had approved the Conversion effective December 4, 2019. See "*Note 6. Debt*" of these "Notes to Consolidated Financial Statements" for additional information regarding the Conversion.

Special Cash Distribution

On November 18, 2019, the Company announced that the Board of Directors declared a special cash distribution to shareholders of record as of December 10, 2019, payable on December 17, 2019. See "*Note 7. Shareholders' Equity (Deficit)*" of these "Notes to Consolidated Financial Statements" for additional information regarding the Special Cash Distribution.

Change in U.S. Tax Status

On January 22, 2020, VDI filed the Tax Election with the IRS to be treated as a partnership, rather than a corporation, for U.S. federal income tax purposes, with an effective date retroactive to December 9, 2019. See "*Note 8. Income Taxes*" of these "Notes to Consolidated Financial Statements" for additional information regarding the Tax Election and the resulting change in VDI's tax status.

Joint Venture

On November 15, 2017, Vantage and ADES International Holding Ltd., a London-listed offshore and onshore provider of oil and gas drilling and production services in the Middle East and Africa ("ADES"), through their subsidiaries, entered into a Shareholders' Agreement to form an entity named ADVantage to provide deepwater drilling services offshore of Egypt. ADVantage, which is a joint venture, owned 51% by Vantage and 49% by ADES, commenced a drilling services contract with Dana Gas Egypt Limited ("Dana Gas") in May 2019 (the "Egyptian Drilling Contract") to perform deepwater drilling services offshore of Egypt. The term of the Egyptian Drilling Contract was for one well with the option to extend the term by up to three additional wells. On September 24, 2019, Dana Gas assigned the Egyptian Drilling Contract to Belayim Petroleum Company ("Petrobel"), a joint venture of Eni and Egyptian General Petroleum Corporation, pursuant to which Petrobel has exercised an option under the Egyptian Drilling Contract to extend the term for one well. On October 15, 2019, ADVantage became entitled to perform drilling services for Petrobel.

Brazil Improbity Action

On April 27, 2018, the Company was added as an additional defendant in a legal proceeding initiated by the Brazilian federal public prosecutor's office located in the State of Parana, Brazil ("Brazilian Federal Prosecutor") against certain individuals, including an executive of Petrobras and two political lobbyists, in connection with the contracting of the *Titanium Explorer* drillship to Petrobras under the Drilling Contract, with the Brazilian Government and Petrobras as plaintiffs. See "*Note 9. Commitments and Contingencies*" of these "Notes to Consolidated Financial Statements" for additional details regarding the legal proceeding initiated by the Brazilian Federal Prosecutor.

2. Basis of Presentation and Significant Accounting Policies

Basis of Consolidation: The accompanying consolidated financial information as of December 31, 2019 and 2018, for the years ended December 31, 2019, 2018 and 2017, have been prepared in accordance with U.S. GAAP and pursuant to the rules and regulations of the SEC and include our accounts and those of our majority owned subsidiaries and VIEs discussed below. All significant intercompany transactions and accounts have been eliminated.

In addition to the consolidation of our majority owned subsidiaries, we also consolidate VIEs when we are determined to be the primary beneficiary of a VIE. Determination of the primary beneficiary of a VIE is based on whether an entity has (1) the power to direct activities that most significantly impact the economic performance of the VIE and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our determination of the primary beneficiary of a VIE considers all relationships between us and the VIE.

ADVantage is a joint venture company formed to operate deepwater drilling rigs in Egypt. We determined that ADVantage met the criteria of a VIE for accounting purposes because its equity at risk was insufficient to permit it to carry on its activities without additional subordinated financial support from us. We also determined that we are the primary beneficiary for accounting purposes since we are entitled to use ADVantage for deepwater drilling contract opportunities rejected by ADES, and have the (a) power to direct the operating activities associated with the deepwater drilling rigs, which are the activities that most significantly impact the entity's economic performance, and (b) obligation to absorb losses or the right to receive a majority of the benefits that could be potentially significant to the VIE. As a result, we consolidate ADVantage in our consolidated financial statements, we eliminate intercompany transactions and we present the interests that are not owned by us as "Noncontrolling interests" in our Consolidated Balance Sheet. The carrying amount associated with ADVantage was as follows:

	December 31, 2019	December 31, 2018
(unaudited, in thousands)		
Current assets	$ 14,589	$ —
Non-current assets	3,643	—
Current liabilities	11,560	—
Non-current liabilities	4,159	—
Net carrying amount	$ 2,513	$ —

As ADVantage is a majority owned subsidiary of the Company, it serves as a guarantor under the Indenture relating to the 9.25% First Lien notes. The notes are secured by a first priority lien on all of the assets of ADVantage, subject to certain exceptions. Creditors' recourse against ADVantage for liabilities of ADVantage is limited to the assets of ADVantage.

See "*Note 1. Organization and Recent Events*" and "*Note 10. Supplemental Financial Information*" of these "Notes to Consolidated Financial Statements" for additional details regarding this joint venture.

Use of Estimates: The preparation of financial statements in accordance with U.S. GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. On an ongoing basis, we evaluate our estimates, including those related to property and equipment, income taxes, insurance, employee benefits and contingent liabilities. Actual results could differ from these estimates.

Cash and Cash Equivalents: Includes deposits with financial institutions as well as short-term money market instruments with maturities of three months or less when purchased.

Inventory: Consists of materials, spare parts, consumables and related supplies for our drilling rigs.

Property and Equipment: Consists of our drilling rigs, furniture and fixtures, computer equipment and capitalized costs for computer software. Drilling rigs are depreciated on a component basis over estimated useful lives ranging from five to 35 years on a straight-line basis as of the date placed in service. Other assets are depreciated upon placement in service over estimated useful lives ranging from three to seven years on a straight-line basis. When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and a gain or loss is included "Operating costs" or "General and administrative" expenses on the Consolidated Statement of Operations, depending on the nature of the asset. For the years ended December 31, 2019, 2018 and 2017, we recognized a net loss of $0.2 million, a net gain of $1.3 million and a net loss of $0.3 million, respectively, related to the sale or retirement of assets.

We evaluate the realization of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss on our property and equipment exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized would be computed as the excess of the asset's carrying value over the estimated fair value. Estimates of future cash flows require us to make long-term forecasts of our future revenues and operating costs with regard to the assets subject to review. Our business, including the utilization rates and dayrates we receive for our drilling rigs, depends on the level of our customers' expenditures for oil and natural gas exploration, development and production expenditures. Oil and natural gas prices and customers' expectations of potential changes in these prices, the general outlook for worldwide economic growth, political and social stability in the major oil and natural gas producing basins of the world, availability of credit and changes in governmental laws and regulations, among many other factors, significantly affect our customers' levels of expenditures. Sustained declines in or persistent depressed levels of oil and natural gas prices, worldwide rig counts and utilization, reduced access to credit markets, reduced or depressed sale prices of comparably equipped jackups and drillships and any other significant adverse economic news could require us to evaluate the realization of our drilling rigs. In connection with our adoption of fresh-start accounting upon our emergence from bankruptcy on the Effective Date, an adjustment of $2.0 billion was recorded to decrease the net book value of our drilling rigs to estimated fair value. The projections and assumptions used in that valuation have not changed significantly as of December 31, 2019; accordingly, no triggering event has occurred to indicate that the current carrying value of our drilling rigs may not be recoverable.

Interest costs and the amortization of debt financing costs related to the financings of our drilling rigs are capitalized as part of the cost while they are under construction and prior to the commencement of each vessel's first contract. We did not capitalize any interest for the reported periods.

Intangible assets: In April 2017, pursuant to a purchase and sale agreement with a third party, we completed the purchase of the *Vantage 260*, a class 154-44C jackup rig, and related multi-year drilling contract for $13.0 million. In connection with our acquisition we recorded an identifiable intangible asset of $12.6 million for the fair value of the acquired favorable drilling contract. The resulting intangible asset was amortized on a straight-line basis over the two-year term of the drilling contract, which ended April 2019. We recognized approximately $1.6 million, $6.3 million and $4.7 million of amortization expense for intangible assets for the years ended December 31, 2019, 2018 and 2017, respectively.

Debt Financing Costs: Costs incurred with debt financings are deferred and amortized over the term of the related financing facility on a straight-line basis which approximates the interest method. Debt issuance costs related to a recognized debt liability are presented in the consolidated balance sheet as a direct deduction from the carrying amount of that debt liability.

Rig and Equipment Certifications: We are required to obtain regulatory certifications to operate our drilling rigs and certain specified equipment and must maintain such certifications through periodic inspections and surveys. The costs associated with these certifications, including drydock costs, are deferred and amortized over the corresponding certification periods.

Revenue Recognition: See "*Note 3. Revenue from Contracts with Customers*" of these "Notes to Consolidated Financial Statements" for further information.

Income Taxes: Income taxes are provided for based upon the tax laws and rates in effect in the countries in which operations are conducted and income is earned. Deferred income tax assets and liabilities are computed for differences between the financial statement basis and tax basis of assets and liabilities that will result in future taxable or tax deductible amounts and are based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. We do not establish deferred tax liabilities for certain of our foreign earnings that we intend to indefinitely reinvest to finance foreign activities. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized. We recognize interest and penalties related to income taxes as a component of income tax expense.

Concentrations of Credit Risk: Financial instruments that potentially subject us to a significant concentration of credit risk consist primarily of cash and cash equivalents, restricted cash and accounts receivable. We maintain deposits in federally insured financial institutions in excess of federally insured limits. We monitor the credit ratings and our concentration of risk with these financial institutions on a continuing basis to safeguard our cash deposits. We have a limited number of key customers, who are primarily large international oil and gas operators, national oil companies and other international oil and gas companies. Our contracts provide for monthly billings as services are performed and we monitor compliance with contract payment terms on an ongoing basis. Payment terms on customer invoices typically range from 30 to 45 days. Outstanding receivables beyond payment terms are promptly investigated and discussed with the specific customer. We do not have an allowance for doubtful accounts on our trade receivables as of December 31, 2019 and 2018.

Earnings (loss) per Share: We compute basic and diluted EPS in accordance with the two-class method. We include restricted stock units granted to employees that contain non-forfeitable rights to dividends as such grants are considered participating securities. Basic earnings (loss) per share are based on the weighted average number of Ordinary Shares outstanding during the applicable period. Diluted EPS are computed based on the weighted average number of Ordinary Shares and ordinary share equivalents outstanding in the applicable period, as if all potentially dilutive securities were converted into Ordinary Shares (using the treasury stock method).

The following is a reconciliation of the number of shares used for the basic and diluted EPS computations:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Weighted average Ordinary Shares outstanding for basic EPS	5,677	5,000	5,000
Restricted share equity awards	—	—	—
Adjusted weighted average Ordinary Shares outstanding for diluted EPS	5,677	5,000	5,000

The following sets forth the number of shares excluded from diluted EPS computations:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Convertible notes	—	7,995	7,915
Restricted share equity awards	34	39	32
Future potentially dilutive Ordinary Shares excluded from diluted EPS	34	8,034	7,947

Functional Currency: We consider USD to be the functional currency for all of our operations since the majority of our revenues and expenditures are denominated in USD, which limits our exposure to currency exchange rate fluctuations. We recognize currency exchange rate gains and losses in “Other, net” in our Consolidated Statement of Operations. For the years ended December 31, 2019, 2018 and 2017, we recognized a net gain of $0.2 million, a net loss of $1.5 million and a net gain of $2.8 million, respectively, related to currency exchange rates.

Fair Value of Financial Instruments: The fair value of our short-term financial assets and liabilities approximates the carrying amounts represented in the balance sheet principally due to the short-term nature or floating rate nature of these instruments. At December 31, 2019, the fair value of the 9.25% First Lien Notes was approximately $340.4 million based on quoted market prices in a less active market, a Level 2 measurement.

Share-based Compensation: TBGs granted under our 2016 Amended MIP vest annually, ratably over four years; however, accelerated vesting is provided for in the event of a QLE. Otherwise, the settlement of any vested TBGs occurs upon the seventh anniversary of the Effective Date. PBGs granted under the 2016 Amended MIP contain vesting eligibility provisions tied to the earlier of a QLE or seven years from the Effective Date. Upon the occurrence of a vesting eligibility event, the number of PBGs that actually vest will be dependent on the achievement of pre-determined TEV targets specified in the grants.

Both the TBGs and PBGs were classified as liabilities consistent with the classification of the underlying securities prior to the Conversion. Following the Conversion, outstanding TBGs and PBGs were subject to modification accounting and were re-classified as equity awards. Under the provisions of ASC 718 *Compensation – Stock Compensation* share-based compensation expense is recognized over the requisite service period from the grant date to the fourth year vest date for TBGs. For PBGs, expense will be recognized when it is probable that the TEV targets will be met. Once it is probable the performance condition will be met, compensation expense based on the fair value of the PBGs at the conversion date of the Convertible Notes will be recognized for the service period completed to the seventh anniversary of the Effective Date for PBGs.

Noncontrolling Interest: Noncontrolling interests represent the equity investments of the minority owner in our joint venture that we consolidate in our financial statements.

Recently Adopted Accounting Standards:

We adopted *ASU No. 2016-02, Leases (ASC 842)* on January 1, 2019 electing to initially apply the standard on a modified retrospective basis as of January 1, 2019 and to not restate comparative periods as outlined in *ASU No. 2018-11, "Leases - Targeted Improvements."* Accordingly, we continue to report periods prior to January 1, 2019 in our financial statements under prior guidance as outlined in ASC Topic 840, "*Leases.*" The new lease standard requires that substantially all leases be recorded on the balance sheet as right of use assets and lease obligations. The adoption of the standard did not have an impact on our consolidated results of operations or cash flows. We determined that there was no cumulative-effect adjustment to beginning retained earnings on the Consolidated Balance Sheet. In addition, we elected certain practical expedients, which permit us to not reassess whether existing contracts are or contain leases, to not reassess the lease classification of any existing leases, to not reassess initial direct costs for any existing leases, and to not separate lease and non-lease components for all classes of underlying assets. As a lessee, we also made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet for all classes of underlying assets. Adoption of the new standard resulted in an increase in the Company’s assets and liabilities of approximately $9.2 million as of January 1, 2019.

Our drilling contracts contain a lease component related to the underlying drilling equipment, in addition to the service component provided by our crews and our expertise to operate such drilling equipment. As outlined in ASU 2018-11, we have determined that the non-lease service component of our drilling contracts is the predominant element of the combined component and continue to account for the combined components as a single performance obligation under Topic 606, Revenue from Contracts with Customers. The bareboat charter contract on the *Soehanah* jackup rig was considered a new lease as of the acquisition date and is accounted for as an operating lease under the new standard.

Recently Issued Accounting Standards:

In December 2019, the FASB issued *ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes."* This ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and also simplifies and improves consistent application of GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020 and for interim periods therein with early adoption permitted. We are currently evaluating the provisions of ASU 2019-12 and assessing the impact it may have on our financial position and results of operations, if any.

In August 2018, the FASB issued *ASU No. 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software."* This ASU requires capitalization of certain implementation costs incurred in a cloud computing arrangement that is a service contract. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019 and for interim periods therein with early adoption permitted. We do not expect the adoption of this ASU to materially affect our consolidated financial statements.

In June 2016, the FASB issued *ASU No. 2016-13, "Financial Instruments - Credit Losses."* This ASU, and the related ASUs issued subsequently by the FASB, introduce a new model for recognizing credit losses on financial assets not accounted for at fair value through net income, including loans, debt securities, trade receivables, net investments in leases and available-for-sale debt securities. The new ASU broadens the information that an entity must consider in developing estimates of expected credit losses and requires an entity to estimate credit losses over the life of an exposure based on historical information, current information and reasonable, supportable forecasts. We will adopt the standard on its effective date in the first quarter of 2020, using a modified retrospective approach. We currently do not expect the adoption to have a material impact on our consolidated financial statements. Our customers are primarily international oil companies, national oil companies and large independent oil companies and we have historically had a low incidence of bad debt expense.

3. Revenue from Contracts with Customers

The activities that primarily drive the revenue earned in our drilling contracts with customers include (i) providing our drilling rig, work crews, related equipment and services necessary to operate the rig, (ii) delivering the drilling rig by mobilizing to and demobilizing from the drill site, and (iii) performing pre-operating activities, including rig preparation activities and/or equipment modifications required for the contract.

The integrated drilling services that we perform under each drilling contract represents a single performance obligation satisfied over time and comprised of a series of distinct time increments, or service periods.

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 billed to the customer is determined based on 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 as we perform the daily drilling services.

Mobilization/Demobilization Revenue. In connection with certain contracts, we receive lump-sum fees or similar compensation for the mobilization of equipment and personnel prior to the commencement of drilling services or the demobilization of equipment and personnel upon contract completion. These activities are not considered to be distinct within the context of the contract and therefore, the associated revenue is allocated to the overall single performance obligation.

Mobilization fees received prior to commencement of drilling operations are recorded as a contract liability and amortized on a straight-line basis over the initial contract period. Demobilization fees expected to be received upon contract completion are estimated at contract inception and recognized on a straight-line basis over the initial contract term with an offset to an accretive contract asset. In many contracts, demobilization fees are contingent upon the occurrence or non-occurrence of a future event and the estimate for such revenue may therefore be constrained. Fees received for the mobilization or demobilization of equipment and personnel are included in contract drilling revenues.

Capital Upgrade/Contract Preparation Revenue. In connection with certain contracts, we receive lump-sum fees or similar compensation for requested capital upgrades to our drilling rigs or for other contract preparation work. These activities are not considered to be distinct within the context of the contract and therefore, fees received are recorded as a contract liability and amortized to contract drilling revenues on a straight-line basis over the initial contract term.

Contract Termination Revenue. On June 20, 2019, VDEEP and VDDI entered into the Petrobras Agreement with the Petrobras Parties relating to the Petrobras Award. See "Note 9. Commitments and Contingencies" of these "Notes to Consolidated Financial

Statements" for additional information regarding the Petrobras Agreement and the Petrobras Award. For the year ended December 31, 2019, we recognized approximately $594.0 million in "Contract termination revenue" and $106.9 million in "Interest income" associated with the Petrobras Payments (as defined in "*Note 9. Commitments and Contingencies*" of these "Notes to Consolidated Financial Statements").

Revenues Related to Reimbursable Expenses. We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement. We are generally considered a principal in such transactions and therefore, recognize reimbursable revenues and the corresponding costs as we provide the customer-requested goods and services.

We have elected to exclude from the transaction price measurement all taxes assessed by a governmental authority.

Disaggregation of Revenue

The following tables present our revenue disaggregated by revenue source for the periods indicated:

	Year Ended December 31 , 2019			
(in thousands)	**Jackups**	**Deepwater**	**Management**	**Consolidated**
Dayrate revenue	$ 88,606	$ 52,005	$ 1,277	$ 141,888
Contract termination revenue	—	594,029	—	594,029
Charter lease revenue	4,461	—	—	4,461
Amortized revenue	1,626	2,334	—	3,960
Reimbursable revenue	8,937	4,676	2,897	16,510
Total revenue	$ 103,630	$ 653,044	$ 4,174	$ 760,848

	Year Ended December 31 , 2018			
(in thousands)	**Jackups**	**Deepwater**	**Management**	**Consolidated**
Dayrate revenue	$ 84,777	$ 115,406	$ 1,220	$ 201,403
Amortized revenue	1,049	2,333	—	3,382
Reimbursable revenue	10,229	6,115	4,618	20,962
Total revenue	$ 96,055	$ 123,854	$ 5,838	$ 225,747

	Year Ended December 31, 2017			
(in thousands)	**Jackups**	**Deepwater**	**Management**	**Consolidated**
Dayrate revenue	$ 84,834	$ 105,269	$ 1,456	$ 191,559
Amortized revenue	207	243	—	450
Reimbursable revenue	9,442	6,506	4,889	20,837
Total revenue	$ 94,483	$ 112,018	$ 6,345	$ 212,846

Dayrate revenue and amortized revenue for "Jackups" and "Deepwater" are included within "Contract drilling services" in our Consolidated Statement of Operations. All other revenue, excluding "Contract termination revenue", are included within "Reimbursables and other" in our Consolidated Statement of Operations.

Accounts Receivable, Contract Liabilities and Contract Costs

Accounts receivable are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Payment terms on customer invoices typically range from 30 to 45 days.

We recognize contract liabilities, recorded in other "Other current liabilities" and "Long-term liabilities" on our Consolidate Balance Sheet, for prepayments received from customers and for deferred revenue received for mobilization, contract preparation and capital upgrades.

Certain direct and incremental costs incurred for contract preparation, initial mobilization and modifications of contracted rigs represent contract fulfillment costs as they relate directly to a contract, enhance resources that will be used to satisfy our performance obligations in the future and are expected to be recovered. These costs are deferred as a current or noncurrent asset depending on the length of the initial contract term and are amortized on a straight-line basis to operating costs as services are rendered over the initial term of the related drilling contract. Costs incurred for capital upgrades are capitalized and depreciated over the useful life of the asset.

Costs incurred for the demobilization of rigs at contract completion are recognized as incurred during the demobilization process. Costs incurred to mobilize a rig without a contract are expensed as incurred.

The following table provides information about contract cost assets and contract revenue liabilities from contracts with customers:

(in thousands)	December 31, 2019	December 31, 2018
Current contract cost assets	$ 132	$ 774
Noncurrent contract cost assets	1,598	3,999
Current contract revenue liabilities	2,912	2,309
Noncurrent contract revenue liabilities	2,090	4,424

Significant changes in contract cost assets and contract revenue liabilities during the year ended December 31, 2019 are as follows:

(in thousands)	Contract Costs	Contract Revenues
Balance as of December 31, 2018 (1)	$ 4,773	$ 6,733
Increase due to contractual additions	935	3,561
Decrease due to recognition	(3,978)	(5,292)
Balance as of December 31, 2019 (1)	$ 1,730	$ 5,002

(1) We expect to recognize contract revenues of approximately $5.0 million in 2020 related to unsatisfied performance obligations existing as of December 31, 2019.

We have elected to utilize an optional exemption that permits us to exclude disclosure of the estimated transaction price related to the variable portion of unsatisfied performance obligations at the end of the reporting period, as our transaction price is based on a single performance obligation consisting of a series of distinct hourly increments, the variability of which will be resolved at the time of the future services.

4. Acquisitions

On June 13, 2018, we entered into a share purchase agreement with Ship Finance International Limited to acquire the shares of Rig Finance Limited, an entity that owns the *Soehanah* jackup rig, a Baker Marine Pacific Class 375 jackup rig, and related bareboat charter to which Rig Finance Limited is a party, for $84.6 million, subject to certain adjustments for working capital and liabilities of the entity not discharged by the acquisition date. We made a down payment of $15.0 million in connection with the execution of the share purchase agreement, and the remaining $69.6 million was paid at closing on December 31, 2018. In May 2019, the parties to the bareboat charter terminated the charterer's right to acquire the rig at the end of the term of the bareboat charter.

We accounted for the acquisition as an asset purchase in accordance with accounting guidance considering that substantially all of the fair value of the gross assets acquired was concentrated in the *Soehanah* jackup rig and in-place lease intangible. Using the cost accumulation model, the cost of the acquisition was allocated to the assets acquired as follows:

(in thousands)	
Total cash consideration (1)	$ 85,000
Purchase price allocation:	
Soehanah rig and equipment	81,850
Inventory supplies and spare parts	3,150
Cash	913
Charterer deposit	(913)
Net assets acquired	$ 85,000

(1) Including $0.4 million of transaction costs.

Pro forma results of operations related to the acquisition are not material to our consolidated statement of operations.

In April 2017, pursuant to a purchase and sale agreement with a third party, we completed the purchase of a class 154-44C jackup rig and related multi-year drilling contract for $13.0 million. A down payment of $1.3 million was made in February 2017 upon execution of the agreement and the remaining $11.7 million was paid at closing. In August 2017, we substituted the *Sapphire Driller*, a Baker Marine Pacific Class 375 jackup rig, to fulfill the drilling contract. The rig, renamed the *Vantage 260,* was classified as held for sale on acquisition and was sold on February 26, 2018 for $5.1 million. We accounted for the acquisition of the *Vantage 260* as a business combination in accordance with accounting guidance which required, among other things, that we allocate the purchase price to the assets acquired and liabilities assumed based on their fair values as of the acquisition date. The following table provides the estimated fair values of the assets acquired and liabilities assumed:

(in thousands)		
Total cash consideration	$	13,000
Purchase price allocation:		
Drilling contract value		12,640
Rig equipment to be sold (net of disposal costs)		2,050
Drillpipe assets		700
Severance liabilities assumed		(480)
Net assets acquired		14,910
Bargain purchase gain	$	1,910

Under accounting guidance, a bargain purchase gain results from an acquisition if the fair value of the purchase consideration paid in connection with such acquisition is less than the net fair value of the assets acquired and liabilities assumed. We recorded a bargain purchase gain of approximately $1.9 million related to the acquisition in the year ended December 31, 2017. We believe that we were able to negotiate a bargain purchase price as a result of our operational presence in West Africa and the seller's liquidation. The purchase of the *Vantage 260* and related two-year drilling contract allowed for the reactivation of the *Sapphire Driller* and further extended our operational presence in West Africa.

Pro forma results of operations related to the acquisition have not been presented because they are not material to our consolidated statement of operations. Acquisition-related costs were not material and were expensed as incurred.

5. Leases

We have operating leases expiring at various dates, principally for office space, onshore storage yards and certain operating equipment. Additionally, we sublease certain office space to third parties. We determine if an arrangement is a lease at inception. Operating leases with an initial term greater than 12 months are included in "Operating lease ROU assets", "Other current liabilities", and "Other long-term liabilities" on our Consolidated Balance Sheet. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made prior to or at the commencement date and is reduced by lease incentives received and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which are generally not accounted for separately. Certain of our leases include provisions for variable payments. These variable payments are not included in the calculation of lease liability and ROU assets.

The components of lease expense were as follows:

(in thousands)	**Classification in the Consolidated Statement of Operations**		**Year ended December 31, 2019**
Operating lease cost(1)	Operating costs	$	5,633
Operating lease cost(1)	General and administrative		1,160
Sublease income	Operating costs		(475)
Sublease income	General and administrative		(296)
Total operating lease cost		$	6,022

(1) Short-term lease costs were $2.5 million during the year ended December 31, 2019. Operating cash flows used for operating leases approximates lease expense.

(in thousands)	Classification in the Consolidated Balance Sheet	December 31, 2019
Assets:		
Operating lease assets	Operating lease ROU assets	$ 6,706
Total leased assets		$ 6,706
Liabilities:		
Current operating	Other current liabilities	$ 3,963
Noncurrent operating	Other long-term liabilities	3,139
Total lease liabilities		$ 7,102

As of December 31, 2019, maturities of lease liabilities were as follows:

(unaudited, in thousands)	Operating Leases
2020	$ 4,149
2021	1,574
2022	1,360
2023	949
Thereafter	-
Total future lease payments	$ 8,032
Less imputed interest	(930)
Present value of lease obligations	$ 7,102

As of December 31, 2019, the weighted average discount rate and the weighted average remaining lease term for operating leases was 9.25% and 2.7 years, respectively. ROU assets and lease liabilities recorded for leases commencing during the three months ended December 31, 2019 was $0.2 million.

As of December 31, 2018, maturities of lease liabilities as presented under ASC Topic 840 were as follows:

(unaudited, in thousands)	Operating Leases
2019	$ 4,035
2020	3,465
2021	1,321
2022	1,313
2023	903
Thereafter	-
Total future minimum lease payments	$ 11,037

The bareboat charter contract on the *Soehanah* jackup rig is accounted for as an operating lease with charter revenue included in "Reimbursables and other" in the Consolidated Statement of Operations. In May 2019, the parties to the bareboat charter terminated the charterer's right to acquire the rig at the end of the term of the bareboat charter which ended December 31, 2019. Please refer to "*Note 4. Acquisitions*" of these "Notes to Consolidated Financial Statements" for additional information pertaining to our acquisition of the *Soehanah* jackup rig.

6. Debt

Our debt was composed of the following:

	December 31,	
	2019	**2018**
(in thousands)		
9.25% First Lien Notes, net of financing costs of $6,421 and $7,560	$ 343,579	$ 342,439
Convertible Notes, net of discount of $0 and $5,354	—	766,572
	343,579	1,109,011
Less current maturities of long-term debt	—	—
Long-term debt, net	$ 343,579	$ 1,109,011

Aggregate scheduled principal maturities of our debt for the next five years and thereafter are as follows (in thousands):

2020	$ —
2021	—
2022	—
2023	350,000
2024	—
Thereafter	—
Total debt (1)	350,000
Less:	
Current maturities of long-term debt	—
Future amortization of financing costs	(6,421)
Long-term debt	$ 343,579

(1) Excludes financing costs of $6.4 million on the 9.25% First Lien Notes.

9.25% First Lien Notes. On November 30, 2018, the Company issued $350.0 million in aggregate principal amount of 9.25% First Lien Notes in a private placement. The 9.25% First Lien notes were issued at par and are fully guaranteed on senior secured basis, by the Company's direct and indirect subsidiaries and are secured by a first priority lien on substantially all of the assets of the Company and its subsidiaries, in each case subject to certain exceptions. The 9.25% First Lien Notes are subject to first payment priority in favor of holders of up to $50.0 million of future super-priority debt and are subject to both mandatory and optional redemption provisions.

The 9.25% First Lien Notes mature on November 15, 2023 and bear interest from the date of their issuance at the rate of 9.25% per year. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months and is payable semi-annually in arrears, commencing on May 15, 2019.

The Indenture for the 9.25% First Lien Notes includes customary covenants and events of default, including covenants that, among other things, restrict the granting of liens, restrict the making of investments, restrict the incurrence of indebtedness and the conveyance of vessels, limit transactions with affiliates, and require that the Company provide periodic financial reports.

The net proceeds from the issuance were used (i) to repay all obligations under the 2016 Term Loan Facility and to terminate the credit agreement governing such facility, (ii) to redeem all outstanding 10% Second Lien Notes, (iii) to fund the remaining amounts to be paid in connection with the purchase of the *Soehanah* jack up rig, (iv) to pay fees and expenses related to the foregoing and to the offering of the 9.25% First Lien Notes and (v) for general corporate purposes.

Concurrently with the issuance of the 9.25% First Lien Notes, we entered into a new letter of credit facility to replace the letter of credit facility existing under the 2016 Term Loan Facility. The new facility has a capacity of $50.0 million, with all outstanding letters of credit being cash collateralized. We have issued $10.1 million in letters of credit under this facility as of December 31, 2019.

On July 8, 2019, we commenced the Offer to repurchase up to $75.0 million of the 9.25% First Lien Notes at a purchase price equal to 100.0% of the principal of the 9.25% First Lien Notes to be repurchased, plus accrued and unpaid interest and additional amounts, if any, but not including, the date fixed for the purchase of the 9.25% First Lien Notes tendered pursuant to the Offer. The Offer to purchase for cash was made pursuant to the terms of the indenture governing the 9.25% First Lien Notes in connection with the receipt by our subsidiaries, VDEEP and VDDI, of approximately $690.8 million and $10.1 million, respectively, on June 21, 2019 on account of the Petrobras Award. In accordance with the indenture governing the 9.25% First Lien Notes, we were required to offer to purchase at least $75.0 million of the 9.25% First Lien Notes in accordance with the terms thereof. No 9.25% First Lien Notes were tendered for purchase as of the Offer Expiration Date. Accordingly, the Company concluded its obligation under the Indenture to conduct such offer, and, in accordance with the terms of the Indenture, the proceeds from the Petrobras Agreement (net of direct costs relating to the recovery thereof) are available for use by the Company without any restrictions under the Indenture.

Convertible Notes. As a part of the Reorganization Plan, the Company issued 4,344,959 New Shares and $750.0 million of the Convertible Notes to certain creditors holding approximately $2.5 billion of pre-petition secured debt claims. The New Shares issued to the creditors and the Convertible Notes could only be traded together and not separately. The Convertible Notes were to mature on December 31, 2030 and were convertible into New Shares, in certain circumstances, at a conversion price (subject to adjustment in accordance with the terms of the Indenture for the Convertible Notes), which was $95.60 as of the issue date. The Indenture for the Convertible Notes included customary covenants that restricted, among other things, the granting of liens and customary events of default, including among other things, failure to issue securities upon conversion of the Convertible Notes.

On June 7, 2019, the Company announced that the Board of Directors had approved the conversion of all of the Convertible Notes into Ordinary Shares of the Company to take effect on or as promptly as practicable after July 1, 2019, subject to the satisfaction of certain conditions required by the indenture governing the Convertible Notes. The Company then announced on July 18, 2019 that, in light of the Petrobras Agreement between the Petrobras Parties and certain of the Company's subsidiaries, the Board

of Directors had decided to reevaluate whether it was in the best interests of the Company and its shareholders to proceed with the Conversion at that point in time. No action was undertaken by the Company at that time to proceed with the Conversion.

On November 18, 2019, the Company announced that the Board of Directors had authorized the Conversion. On December 4, 2019, the outstanding principal amount of approximately $775.8 million was converted to outstanding Ordinary Shares at a rate of approximately 0.01046, which equates to one ordinary share per $95.60 principal amount of the Convertible Notes.

7. Shareholders' Equity (Deficit)

Stock Issuance

VDI has 50,000,000 authorized Ordinary Shares. Upon emergence from bankruptcy on the Effective Date, VDI issued 5,000,053 Ordinary Shares in connection with the settlement of LSTC in accordance with the Reorganization Plan and the VDC Note. On December 4, 2019, VDI issued an additional 8,114,977 Ordinary Shares to convert all of the outstanding Convertible Notes. See "Note 6. Debt" of these "Notes to Consolidated Financial Statements" for additional information regarding the Conversion. As of December 31, 2019, 13,115,026 Ordinary Shares were issued and outstanding.

Special Cash Distribution

On November 18, 2019, the Company announced that its Board of Directors declared a special cash distribution in the aggregate amount of $525.0 million, or $40.03 per share, paid on December 17, 2019, to shareholders of record as of the close of business on December 10, 2019, (the "Special Cash Distribution"). The Special Cash Distribution is a use of proceeds from the Petrobras Award. The Company bound judgment preservation insurance to insure against the contingency of being required to return the Petrobras Payment. See *Note 9. Commitments and Contingencies* of these "Notes to Consolidated Financial Statements" for additional information on the Petrobras Award and the Petrobras Payment.

Share-based Compensation

On August 9, 2016, the Company adopted the Amended 2016 MIP to align the interests of participants with those of the shareholders by providing incentive compensation opportunities tied to the performance of the Company's equity securities. Pursuant to the 2016 Amended MIP, the Compensation Committee may grant to employees, directors and consultants stock options, restricted stock, restricted stock units or other awards. As of December 31, 2019, there were 262,456 shares available for future grant under the Amended 2016 MIP.

TBGs granted under our 2016 Amended MIP vest annually, ratably over four years; however, accelerated vesting is provided for in the event of a QLE. Otherwise, the settlement of any vested TBGs occurs upon the seventh anniversary of the Effective Date. PBGs granted under the 2016 Amended MIP contain vesting eligibility provisions tied to the earlier of a QLE or seven years from the Effective Date. Upon the occurrence of a vesting eligibility event, the number of PBGs that actually vest will be dependent on the achievement of pre-determined TEV targets specified in the grants. No awards were granted to employees of the Company during the year ended December 31, 2019. During the same time period, three members of the Board of Directors were granted a total of 1,282 TBGs. During the year ended December 31, 2018, 1,030 TBGs and 2,403 PBGs were granted to a single employee of the Company. During the same period, four members of the Board of Directors were granted 300 TBGs each, for a total of 1,200 TBGs.

Prior to the Conversion, both the TBGs and PBGs were classified as liabilities consistent with the classification of the underlying securities. Following the Conversion, outstanding TBGs and PBGs were subject to modification accounting and were reclassified as equity awards. In connection with the Conversion, each restricted stock unit was converted into approximately 2.868 Company common shares, with a per-share average fair value of $66.26. No additional compensation costs were recognized at conversion as there was no change in the terms affecting the estimate of fair value.

Pursuant to the Amended 2016 MIP and the terms of the applicable unit awards, participants holding restricted stock units are contractually entitled to receive all dividends or other distributions that are paid to VDI stockholders provided that any such dividends will be subject to the same vesting requirements of the underlying units. Dividend payments accrue to outstanding awards (both vested and unvested) in the form of "Dividend Equivalents" equal to the dividend per share underlying the applicable MIP award. As a result of the Special Cash Distribution discussed above in this "*Note7. Shareholders' Equity (Deficit)*" of the "Notes to Consolidated Financial Statements", $5.8 million was recorded in "Other long-term liabilities" in our Consolidated Balance Sheet to be paid on settlement of TBGs. The outstanding TBGs and PBGs were subject to modification accounting as a result of the Special Cash Distribution as discussed above in this "*Note7. Shareholders' Equity (Deficit)*" of the "Notes to Consolidated Financial Statements". No additional compensation costs were recognized as a result of the Special Cash Distribution as there was no change in the terms affecting the estimate of fair value.

For the years ended December 31, 2019, 2018 and 2017, we recognized share-based compensation related to the TBGs of approximately $1.0 million, $7.2 million and $4.0 million, respectively. As of December 31, 2019, there was approximately $2.4 million of total unrecognized share-based compensation expense related to TBGs which is expected to be recognized over the remaining weighted average vesting period of approximately 0.9 years. The total award date value of time vested restricted shares that vested during the year ended December 31, 2019 was approximately $2.2 million.

Share-based compensation expense for PBGs will be recognized when it is probable that the TEV targets will be met. Once it is probable the performance condition will be met, compensation expense based on the fair value of the PBGs at the conversion date will be recognized for the service period completed. As of December 31, 2019, we concluded that it was not probable that the TEV performance condition would be met and therefore, no share-based compensation expense was recognized for PBGs which have a remaining weighted average vesting period of approximately 3.1 years.

A summary of the status of non-vested restricted units at December 31, 2019 and changes during the year ended December 31, 2019 is as follows:

	Time Vested Restricted Units Outstanding	Weighted Average Award Date Unit Price	Performance Vested Restricted Units Outstanding	Weighted Average Award Date Unit Price
Nonvested restricted units at December 31, 2018	45,575	$ 123.88	165,915	$ 113.74
Awarded	1,282	190.00	—	—
Vested	(18,887)	115.22	—	—
Forfeited	—	—	—	—
Cancelled (1)	(27,970)	132.75	(165,915)	113.74
Reissued (1)	80,209	66.26	475,792	66.26
Nonvested restricted units at December 31, 2019	80,209	$ 66.26	475,792	$ 66.26

(1) Due to the Conversion discussed in "*Note 6. Debt*" of these "Notes to Consolidated Financial Statements", outstanding TBGs and PBGs were cancelled and reissued for the fair value of the Ordinary Shares at the time of the Conversion.

8. Income Taxes

VDI is a Cayman Islands corporation operating in multiple countries through its subsidiaries. The Cayman Islands do not impose corporate income taxes. Consequently, we have calculated income taxes based on the laws and tax rates in effect in the countries in which operations are conducted, or in which we and our subsidiaries are considered resident for income tax purposes. Our income taxes are generally dependent upon the results of our operations and when we generate significant revenues in jurisdictions where the income tax liability is based on gross revenues or asset values, there is no correlation to the net operating results and the income tax expense. Furthermore, in some jurisdictions we do not pay taxes, pay taxes at lower rates or receive benefits for certain income and expense items, including interest expense, loss on extinguishment of debt, gains or losses on disposal or transfer of assets, reorganization expenses and write-off of development costs.

On January 22, 2020, VDI filed the Tax Election with the IRS to be treated as a partnership, rather than a corporation, for U.S. federal income tax purposes, with an effective date retroactive to December 9, 2019. As a result, U.S. Holders are required to take into account their allocable share of items of income, gain, loss deduction and credit of VDI for each taxable year of VDI ending with or within the U.S. Holder's taxable year, regardless of whether any distribution has been or will be received from VDI. Each item generally will have the same character and source (either U.S. or foreign) as though the U.S. Holder had realized the item directly. We do not anticipate that VDI's change in tax status will have a material impact on the consolidated financial statements.

The income tax expense (benefit) consisted of the following (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Current	$ 15,172	$ 14,784	$ 16,132
Deferred	(51)	1,742	(1,964)
Total	$ 15,121	$ 16,526	$ 14,168

A reconciliation of statutory and effective income tax rates is shown below:

	Year Ended December 31,		
	2019	2018	2017
Statutory rate	0.0 %	0.0 %	0.0 %
Effect of:			
Taxes on foreign earnings	3.6 %	(14.1)%	(9.2)%
Settlement of prior years' tax audits	0.0 %	0.0 %	(0.5)%
Tax rate change impact	0.0 %	0.0 %	(1.4)%
Uncertain tax positions	0.1 %	0.3 %	0.8 %
Other	(0.5)%	0.6 %	(0.2)%
Total	3.2 %	(13.2)%	(10.5)%

The components of the net deferred tax assets and liabilities were as follows:

(in thousands)	December 31, 2019	December 31, 2018
Deferred tax assets:		
Share-based compensation	$ 1,014	$ 919
Accrued bonuses/compensation	483	489
Special compensation	268	—
Start-up costs	33	43
Loss carry-forwards	2,015	5,845
Deferred revenue	91	183
Other deferred tax assets	20	—
Total deferred tax assets	3,924	7,479
Valuation allowance	(2,015)	(5,105)
Net deferred tax assets	1,909	2,374
Deferred tax liabilities:		
Property and equipment	(732)	(1,039)
Deferred cost	(2)	(74)
Other deferred tax liability	—	(137)
Total deferred tax liabilities	(734)	(1,250)
Net deferred tax asset	$ 1,175	$ 1,124

At December 31, 2019, we had foreign tax loss carry forwards of approximately $7.4 million which will expire beginning in 2020. The decrease in foreign tax loss carry forwards in the current year is primarily due to expiry of carryforward period available in certain jurisdictions, resulting in decline in valuation allowance in the current year.

We include as a component of our income tax provision potential interest and penalties related to recognized tax contingencies within our global operations. Interest and penalties expense of approximately $0.3 million is included in 2019 income tax expense and total interest and penalties of approximately $1.7 million are accrued as of December 31, 2019.

A reconciliation of our unrecognized tax benefits amount, excluding interest and penalties that we recognize as a component of income tax expense, is as follows (in thousands):

Gross balance at January 1, 2019	$ 2,715
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	(1)
Expiration of statues	—
Tax settlements	—
Gross balance at December 31, 2019	2,714
Related tax benefits	—
Net reserve at December 31, 2019	$ 2,714

Our periodic tax returns are subject to examination by taxing authorities in the jurisdictions in which we operate in accordance with the normal statute of limitations in the applicable jurisdiction. These examinations may result in assessments of additional taxes that are resolved with the authorities or through the courts. Resolution of these matters involves uncertainties and there are no assurances as to the outcome. Our tax years from 2010 onward remain open to examination in many of our jurisdictions and we are currently involved in several tax examinations in jurisdictions where we are operating or have previously operated. As information becomes available during the course of these examinations, we may increase or decrease our estimates of tax assessments and accruals.

9. Commitments and Contingencies

We are subject to litigation, claims and disputes in the ordinary course of business, some of which may not be covered by insurance. There is an inherent risk in any litigation or dispute and no assurance can be given as to the outcome of any claims.

Matters Related to the Reorganization Plan

In connection with our bankruptcy cases, two appeals were filed relating to the confirmation of the Reorganization Plan. Specifically, on January 29, 2016, Mr. Hsin-Chi Su and F3 Capital filed two appeals before the Delaware Federal Court seeking a reversal of (i) the Court’s determination that Mr. Hsin-Chi Su and F3 Capital did not have standing to appear and be heard in the bankruptcy cases, which was made on the record at a hearing held on January 14, 2016, and (ii) the Court’s Findings of Fact, Conclusions of Law, and Order (I) Approving the Debtors’ (A) Disclosure Statement Pursuant to Sections 1125 and 1126(b) of the Bankruptcy Code, (B) Solicitation of Votes and Voting Procedures, and (C) Forms of Ballots, and (II) Confirming the Amended Joint Prepackaged Chapter 11 Plan of Offshore Group Investment Limited and its Affiliated Debtors [Docket No. 188], which was entered on January 15, 2016. The appeals were consolidated on June 14, 2016. On June 21, 2019, the Delaware Federal Court rendered a decision affirming the U.S. Bankruptcy Court’s confirmation order relating to the Reorganization Plan. As Mr. Hsin-Chi Su and F3 Capital did not file a subsequent appeal of the Delaware Federal Court’s decision within the prescribed period of time, the order of the Delaware Federal Court constitutes a final, non-appealable order and therefore the foregoing matter is closed.

On January 10, 2019, Mr. Hsin-Chi Su and his company, F3 Capital, filed a declaratory action against us in the Delaware Federal Court seeking a ruling from the court that the confirmation of the Reorganization Plan does not prevent Mr. Hsin-Chi Su or F3 Capital from suing the Company for certain unspecified claims based on a theory of fraud alleged to be valued in excess of $2.0 billion. On March 4, 2019, we filed a motion to dismiss with the Delaware Federal Court, to which Mr. Hsin-Chi Su and F3 Capital filed a response and to which we subsequently filed a reply. On November 19, 2019, the Delaware Federal Court issued a decision refusing to rule on our motion to dismiss and referring the matter to the U.S. Bankruptcy Court that presided over our reorganization proceedings. On December 3, 2019, we renewed our motion with the U.S. Bankruptcy Court to dismiss the action. On January 6, 2020, the U.S. Bankruptcy Court granted our motion to dismiss the action by Su and F3 Capital. As Mr. Hsin-Chi Su and F3 Capital did not file a subsequent appeal of the U.S. Bankruptcy Court’s decision within the prescribed period of time, the order of the U.S. Bankruptcy Court constituted a final non-appealable order and therefore this foregoing matter is closed.

Drilling Contract Arbitration

On August 31, 2015, PAI and PVIS, both subsidiaries of Petrobras, notified the Company of the termination of the Drilling Contract between PVIS and VDEEP, which had been novated to PAI and VDDI, claiming the Company had breached its obligations under the Drilling Contract. VDEEP and VDDI are both wholly-owned subsidiaries of the Company. We immediately filed an international arbitration claim against the Petrobras Parties, claiming wrongful termination of the Drilling Contract.

On July 2, 2018, an international arbitration tribunal issued an award in favor of VDEEP and VDDI. The tribunal found that the Petrobras Parties breached the Drilling Contract, and awarded VDEEP and VDDI damages in the aggregate amount of $622.0 million against the Petrobras Parties and dismissed the Petrobras Parties’ counterclaims against the Company with prejudice. The tribunal also awarded the Company interest on the foregoing award amount at an annual rate of 15.2%, compounded monthly, to accrue from (i) April 1, 2018, with respect to $615.6 million thereof, (ii) October 20, 2015, with respect to $5.2 million thereof, and (iii) November 19, 2015, with respect to $1.2 million thereof, in each case, until final payment of the Petrobras Award. In accordance with the terms of the Petrobras Award, each of the Company and Petrobras bore its own legal fees, and the fees and expenses of the tribunal, including the compensation of the arbitrators, aggregating approximately $1.5 million, were borne equally by both sides.

On July 2, 2018, VDEEP and VDDI filed a petition (the “Petition”) in the U.S. District Court – Texas to confirm the Petrobras Award against the Petrobras Parties. On August 31, 2018, the Petrobras Parties filed with the U.S. District Court – Texas, among other things, a response to the Petition and a motion to vacate the Petrobras Award (the “Response and Motion to Vacate”). On March 8, 2019, the U.S. District Court – Texas heard both the Petition and the Response and Motion to Vacate.

On May 20, 2019, the U.S. District Court – Texas granted the Petition to confirm the Petrobras Award against the Petrobras Parties and denied the Petrobras Parties’ motion to vacate the Petrobras Award. On May 22, 2019, the U.S. District Court – Texas rendered its final judgment in favor of VDEEP and VDDI in the amount of approximately $734.0 million.

Separately, in connection with enforcing the Petrobras Award against the Petrobras Parties, VDEEP and VDDI secured an order from the Amsterdam District Court in the Netherlands on August 22, 2018, which froze certain assets of Petrobras and PVIS in the Netherlands that we believe are valued in excess of our claim at this time. On November 15, 2018, VDEEP and VDDI filed a petition in the Court of Appeals in The Hague, the Netherlands, to recognize and enforce the Petrobras Award against the Petrobras Parties in the Netherlands (the "Dutch Enforcement Action"). On March 1, 2019, the Petrobras Parties filed their statement of defense with the Court of Appeals. The Court of Appeals heard the petition of VDEEP and VDDI and the Petrobras Parties' statement of defense on May 14, 2019.

On June 20, 2019, VDEEP and VDDI entered into the Petrobras Agreement with the Petrobras Parties relating to the Petrobras Award. The Petrobras Agreement considered the Petrobras Award amount together with interest calculated through May 22, 2019 and reduced that amount by 4.5%. Pursuant to the Petrobras Agreement, PVIS agreed to pay VDEEP $690,810,875 and PAI agreed to pay VDDI $10,128,565 (collectively, the "Petrobras Payments"), in full satisfaction and payment of the Petrobras Award and the related judgement entered by the U.S. District Court – Texas confirming the Petrobras Award (the "Judgment"). Neither party released any of its claims, except for certain claims in respect of certain pre-judgement attachments made by VDEEP and VDDI on certain assets of PVIS and Petrobras in the Netherlands. VDEEP and VDDI received the Petrobras Payments in full on June 21, 2019. The Petrobras Parties filed a notice of appeal with the U.S. Court of Appeals for the Fifth Circuit seeking a reversal of the Judgment, which confirmed the Petrobras Award and denied their motion for vacatur. We believe there is no basis for reversal and intend to vigorously contest the appeal.

Under the Petrobras Agreement, VDEEP and VDDI were required to take actions in order to release liens on certain Petrobras assets in the United States and the Netherlands. In addition, the parties agreed under the Petrobras Agreement to a stay of the Dutch Enforcement Action until such time as there is a final, non-appealable judgment in the U.S. proceedings or until such time as the Petrobras Parties assert a claim for reimbursement of all or any part of the Petrobras Payments, whichever is earlier.

In light of the retention by the Petrobras Parties of their rights, including the right to appeal the Judgment, the Petrobras Parties may assert a claim for the return of all or a portion of the Petrobras Payments made to satisfy the Petrobras Award in the event the U.S. judgment is overturned on appeal. The Company can provide no assurances as to the ultimate outcome of any such appeals. Furthermore, while the Company has obtained judgment preservation insurance to insure against the contingency of being required to return the Petrobras Payment, to the extent the Petrobras Parties were to ultimately succeed in their appeal of the Petrobras Award, the Company's consolidated financial position and results of operations could be materially adversely affected. See "Risk Factors—*We may not prevail in the defense of any appeal of the Petrobras Award and the result of any such appeal may ultimately require us to return all or a portion of the Petrobras Payments made to satisfy the Petrobras Award*" in Part I, Item 1A of this Annual Report. In addition, the Petrobras Payments received by VDEEP and VDDI will be subject to reductions due to currently owed and future legal fees (including, among others, a contingency fee equal to 10% of the Petrobras Payments) and any applicable taxes. Accordingly, no assurances can be given as to the amount of the Petrobras Payments to be ultimately realized by the Company. At this time, we believe the likelihood that we would incur a loss related to this matter is remote. As of December 31, 2019, no amounts have been accrued.

Brazil Improbity Action

On April 27, 2018, the Company was added as an additional defendant in a legal proceeding initiated by the Brazilian Federal Prosecutor against certain individuals, including an executive of Petrobras and two political lobbyists, in connection with the contracting of the *Titanium Explorer* drillship to Petrobras under the Drilling Contract, with the Brazilian Government and Petrobras as plaintiffs. Vantage is alleged to have been involved in and benefitted from the purported bribery scheme at Petrobras through Hamylton Padilha, the Brazilian agent, our former parent company, VDC, used in contracting of the *Titanium Explorer* drillship to Petrobras, and Mr. Hsin -Chi Su, a former member of VDC's board of directors and a significant shareholder of VDC. We first became aware of the legal proceeding on July 19, 2018 as it was previously under seal. On March 22, 2019, we were formally served in the United States and on April 12, 2019, we filed our preliminary statement of defense with the 11th Federal court of the Judicial Branch of Curitiba, State of Parana, Brazil (the "Brazilian Federal Court"). The Company understands that the legal proceeding, which is called an improbity action, is a civil action and is part of the Brazilian Federal Prosecutor's larger "Car Wash" investigation into money laundering and corruption allegations at Petrobras.

The damages claimed in the proceeding are in the amount of BRL 102.8 million (approximately $31.0 million), together with a civil fine equal to three times that amount. The Company understands that the Brazilian court hearing the proceeding has issued an order authorizing the seizure and freezing of the assets of the Company and the other three defendants in the legal proceeding, as a precautionary measure, in the amount of approximately $124.0 million. The Company and the other three defendants are jointly and severally liable for this amount. The seizure order has not had an effect on the Company's assets or operations, as the Company does not own any assets in Brazil, and does not currently intend to relocate any assets to Brazil. On February 13, 2019, we learned that the Brazilian Federal Prosecutor has requested mutual legal assistance from the U.S. DOJ pursuant to the United Nations Convention against Corruption of 2003 to obtain a freezing order against the Company's U.S. assets in the amount of $124.0 million. The Company believes this request is not supported by applicable law and intends to vigorously oppose and defend against any attempts to seize its assets.

On April 12, 2019, we filed an interlocutory appeal with the 4th Circuit of the Federal Court of Appeals in Porto Alegre, State of Rio Grande do Sul, Brazil (the “Brazilian Appellate Court”), the appellate court hearing appeals in the “Car Wash” cases, to stay the seizure and freezing order of the Brazilian Federal Court.

On May 20, 2019, the Company announced that the Brazilian Appellate Court ruled in favor of the Company’s appeal to stay the seizure and freezing order of the Brazilian Federal Court. The foregoing ruling is still subject to confirmation by a three-judge panel, and is subject to appeal, and the Company can offer no assurances that the stay will be confirmed or as to the outcome of any appeal thereof. The Company has communicated the Brazilian Appellate Court’s ruling to the DOJ, and has asked the Brazilian Federal Court to do the same. On July 18, 2019, the Company announced that the Brazilian Government made a filing with the Brazilian Federal Court reporting that the DOJ has advised the Brazilian Ministry of Justice that it would not be possible for the DOJ to comply with the mutual assistance request in respect of the asset freeze order. The Company also announced that it learned from the Brazilian Ministry of Justice that the DOJ’s response to the request for mutual assistance stated that no legal grounds existed for implementing the requested asset freeze, and that the DOJ was returning the request without taking action and considers the matter concluded.

The Company intends to vigorously defend against the allegations made in the underlying improbity action. However, we can neither predict the ultimate outcome of this matter nor that there will not be further developments in the “Car Wash” investigation or in any other ongoing investigation or related proceeding that could adversely affect us. At this time, we are not yet able to determine the likelihood of loss, if any, arising from this matter.

Restructuring Agreement

Pursuant to the terms of the Restructuring Agreement among VDC and a majority of our secured creditors, the Company agreed to the Reorganization Plan and VDC agreed to commence official liquidation proceedings under the laws of the Cayman Islands. On December 2, 2015, pursuant to the Restructuring Agreement, the Company acquired two subsidiaries responsible for the management of the Company from VDC in exchange for the VDC Note. In connection with our separation from our former parent company, we and the Joint Official Liquidators, appointed to oversee the liquidation of VDC, entered into discussions regarding the settlement of certain intercompany receivables and payables as between the Company and its subsidiaries, on the one hand, and VDC and its subsidiaries on the other.

Other Commitments

We enter into operating leases in the normal course of business for office space, housing, vehicles and specified operating equipment. Some of these leases contain renewal options which would cause our future cash payments to change if we exercised those renewal options. See “*Note 5. Leases*” of these “Notes to Consolidated Financial Statements” for information pertaining to our future minimum lease obligations.

At December 31, 2019, we had purchase commitments of $16.8 million. Our purchase commitments consist of obligations outstanding to external vendors primarily related to capital upgrades, materials, spare parts, consumables and related supplies for our drilling rigs.

10. Supplemental Financial Information

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	December 31,	
	2019	**2018**
(in thousands)		
Sales tax receivable	$ 8,356	$ 10,145
Other receivables	1,523	1,634
Income tax receivable	110	874
Prepaid insurance	683	660
Current deferred contract costs	132	774
Other	5,703	3,191
	$ 16,507	$ 17,278

Property and Equipment, net

Property and equipment, net consisted of the following:

(in thousands)	December 31, 2019	December 31, 2018
Drilling equipment	$ 963,401	$ 962,618
Assets under construction	19,991	13,969
Office and technology equipment	18,452	18,452
Leasehold improvements	1,124	1,100
	1,002,968	996,139
Accumulated depreciation	(281,842)	(208,836)
Property and equipment, net	$ 721,126	$ 787,303

Other Assets

Other assets consisted of the following:

(in thousands)	December 31, 2019	December 31, 2018
Noncurrent restricted cash	$ 8,486	$ 4,058
Contract value, net	—	1,643
Deferred certification costs	3,959	3,548
Noncurrent deferred contract costs	1,598	3,999
Deferred income taxes	1,919	1,844
Other noncurrent assets	1,106	934
	$ 17,068	$ 16,026

Other Current Liabilities

Other current liabilities consisted of the following:

(in thousands)	December 31, 2019	December 31, 2018
Interest	$ 4,139	$ 2,827
Compensation (1)	10,370	7,013
Income taxes payable	3,493	3,175
Current deferred revenue	2,912	2,309
Current portion of operating lease liabilities	3,963	—
Other	2,059	2,659
	$ 26,936	$ 17,983

(1) Includes $2.4 million related to cash awards granted to certain key employees of the Company pursuant to underlying award agreements and issued under the 2016 MIP.

Other Long-term Liabilities

Other long-term liabilities consisted of the following:

(in thousands)	December 31, 2019	December 31, 2018
Noncurrent deferred revenue	$ 2,090	$ 4,424
Deferred income taxes	744	720
2016 MIP (1)	—	11,565
2016 MIP - Dividend Equivalents (2)	5,801	—
Noncurrent operating lease liabilities	3,139	—
Other non-current liabilities	5,758	6,180
	$ 17,532	$ 22,889

(1) Stock compensation associated with the 2016 MIP have been reclassified to equity following the Conversion. See "*Note 6. Debt*" and "*Note 7. Shareholders' Equity (Deficit)*" of these "Notes to Consolidated Financial Statements" for additional information regarding the Conversion and the resulting reclassification of stock compensation.

(2) Dividend Equivalents on vested TBGs are payable on settlement of the applicable award. See "*Note 7. Shareholders' Equity (Deficit)*" of these "Notes to Consolidated Financial Statements" for additional information regarding the Dividend Equivalents.

Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheet that sum to the total of the same amounts shown in the Consolidated Statement of Cash Flows as of the dates indicated:

	December 31,	
	2019	**2018**
(in thousands)		
Cash and cash equivalents	$ 231,947	$ 224,967
Restricted cash	2,511	10,362
Restricted cash included within Other assets	8,486	4,058
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$ 242,944	$ 239,387

Restricted cash as of December 31, 2019 represents cash held by banks as certificates of deposit collateralizing letters of credit.

Transactions with Former Parent Company

The following table summarizes the balances payable to VDC included in the Company's Consolidated Balance Sheet as of the dates indicated:

	December 31,	
	2019	**2018**
(in thousands)		
Accounts payable to related parties, net	$ 17,278	$ 17,278
	$ 17,278	$ 17,278

See "*Note 9. Commitments and Contingencies*" of these "Notes to Consolidated Financial Statements" for additional information regarding the balances payable to VDC.

Related Party Transactions

In association with the establishment of ADVantage, the Company and ADES contributed cash to ADVantage in excess of the issued capital of the joint venture, with the understanding that such amounts are to be considered shareholder loans. As of December 31, 2019, the total outstanding amount due to ADES for such excess cash contributions was approximately $694,000, which is included in "Other current liabilities" on the Consolidated Balance Sheet.

In conjunction with the establishment of ADVantage, the Company entered into a series of agreements with ADES, including: (i) a Secondment Agreement; (ii) a Manpower Agreement; and (iii) a Supply Services Agreement. Pursuant to these agreements, the Company, largely through its seconded employees, will provide various services to ADES and ADES will in turn provide various services to ADVantage. As of December 31, 2019, accounts receivable from ADES totaled approximately $5.8 million and accounts payable to ADES totaled approximately $7.1 million, included in "Trade receivables" and "Accounts payable," respectively, on the Consolidated Balance Sheet. See "*Note 1. Organization and Recent Events*" of these "Notes to Consolidated Financial Statements" for additional details regarding this joint venture.

Mr. Thomas R. Bates, Jr. is the chairman and a director of the Company and in December 2019, was elected as chairman of Weatherford International, a provider of equipment and services to the Company. The Company has engaged in transactions in the ordinary course of business with Weatherford International totaling $0.4 million in 2019, for the purchase of equipment and services. At December 31, 2019, the Company had a payable to Weatherford of $10,778. These transactions were on an arm's-length basis and Mr. Bates was not involved in such transactions in any way.

Except for the foregoing, we did not have any material related party transactions that were not in the ordinary course of business as of December 31, 2019.

11. Business Segment Information

We aggregate our contract drilling operations into one reportable segment even though we provide contract drilling services with different types of rigs, including jackup rigs and drillships, and in different geographic regions. Our operations are dependent on the global oil and gas industry and our rigs are relocated based on demand for our services and customer requirements. Our customers consist primarily of large international oil and gas companies, national or government-controlled oil and gas companies and other international exploration and production companies. The *Soehanah* jackup rig operated under a bareboat charter contract in place as of acquisition.

Additionally, for drilling units owned by others, we provide construction supervision services while under construction, preservation management services when stacked and operations and marketing services for operating rigs. Our management business (excluding reimbursable revenue) represented less than 1% of our total revenue for each of the years ended December 31, 2019, 2018 and 2017, respectively.

For the years ended December 31, 2019, 2018 and 2017, a substantial amount of our revenue was from countries outside of the United States. Consequently, we are exposed to the risk of changes in economic, political and social conditions inherent in foreign operations. Contract termination revenue from the Petrobras Parties accounted for approximately 78% of consolidated revenue for the year ended December 31, 2019. Excluding the contract termination revenue received from the Petrobras Parties, four customers accounted for approximately 23%, 23%, 13% and 11% of consolidated revenue for the year ended December 31, 2019. Three customers accounted for approximately 40%, 15% and 14% of consolidated revenue for the year ended December 31, 2018. Four customers accounted for approximately 51%, 15%, 13% and 11% of consolidated revenue for the year ended December 31, 2017.

Our revenues by country were as follows (periods representing revenues of less than 10% are included in "Other countries"):

	For the Years Ended December 31,		
	2019	2018	2017
Cayman Islands	$ 561,530	$ —	$ —
Congo	—	123,605	139,579
Malaysia	—	—	26,983
Indonesia	—	—	23,477
India	—	32,630	—
Other countries (1)	199,318	69,512	22,807
Total revenues	$ 760,848	$ 225,747	$ 212,846

(1) "Other countries" represent countries in which we had revenues representing less than 10% of total revenues earned.

Our property and equipment, net by country were as follows (as of dates representing property and equipment of less than 10% are included in "Other countries"):

	December 31, 2019	December 31, 2018
Egypt	$ 207,166	$ —
Canary Islands	—	216,955
India	126,124	141,342
Indonesia	75,830	81,850
South Africa	149,231	164,239
Other countries (1)	162,775	182,917
Total property and equipment	$ 721,126	$ 787,303

(1) "Other countries" represent countries in which we operate that individually had property equipment, net representing less than 10% of total property and equipment, net.

A substantial portion of our assets are mobile drilling units. Asset locations at the end of the period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the periods.

12. Supplemental Quarterly Information (Unaudited)

The following table reflects a summary of the unaudited interim results of operations for the years ended December 31, 2019 and 2018 (in thousands except per share amounts).

	Quarter Ended			
	March 31	June 30	September 30	December 31
2018				
Revenues	$ 57,663	$ 60,461	$ 64,556	$ 43,067
Loss from operations	(8,544)	(8,178)	(5,692)	(22,871)
Other expense	(19,620)	(19,706)	(18,853)	(21,478)
Net loss attributable to shareholders	(32,137)	(31,094)	(26,060)	(52,177)
Loss per share				
Basic and diluted	$ (6.43)	$ (6.22)	$ (5.21)	$ (10.44)
2019				
Revenues	$ 34,555	$ 636,383	$ 40,644	$ 49,266
Income (loss) from operations (1)	(31,188)	509,101	(22,374)	$ (53,952)
Other income (expense)	(14,569)	97,812	(6,123)	$ (7,111)
Net income (loss) attributable to shareholders	(47,890)	590,729	(25,720)	$ (61,385)
Earnings (loss) per share				
Basic	$ (9.58)	$ 116.96	$ (5.14)	$ (8.22)
Diluted	$ (9.58)	$ 116.86	$ (5.14)	$ (8.22)

(1) During the quarter ended December 31, 2019, we recorded $1.6 million and $5.6 million in “Operating costs” and “General and administrative expense”, respectively for cash awards granted to certain key employees of the Company pursuant to underlying award agreements and issued under the Amended 2016 MIP. We also recorded $30.5 million in “General and administrative expense” related to insurance costs for judgment preservation insurance to insure against the contingency of being required to return the Petrobras Payment.

Earnings (loss) per share is computed independently for each of the periods presented. Therefore, the sum of the periods’ earnings (loss) per share may not agree to the total computed for the year.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit to the SEC is recorded, processed, summarized, and reported, within the time periods required by our debt agreements.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit to the SEC is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2019 and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures were effective in providing reasonable assurance that information requiring disclosure is recorded, processed, summarized, and reported within the time periods required by our debt agreements.

Internal Control over Financial Reporting

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the 2013 framework). Based on this assessment using these criteria, our management determined that our internal control over financial reporting was effective as of December 31, 2019.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2019 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Consistent with previous years and in accordance with the requirements of the SEC, the information required by this item will be filed with the SEC on Form 10-K/A within 120 days of December 31, 2019.

We have adopted a Code of Business Conduct and Ethics that applies to directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Our Code of Business Conduct and Ethics is posted on our website at *www.vantagedrilling.com* in the “Corporate Governance” area. Any waivers from our Code of Business Conduct and Ethics must be approved by the Board of Directors or a designated board committee. Any amendments to, or waivers from, the Code of Business Conduct and Ethics will be posted on our website and reported pursuant to applicable rules and regulations of the SEC.

Item 11. Executive Compensation.

Consistent with previous years and in accordance with the requirements of the SEC, the information required by this item will be filed with the SEC on Form 10-K/A within 120 days of December 31, 2019.

Item 12. Security Ownership and Certain Beneficial Owners and Management and Related Stockholder Matters.

Consistent with previous years and in accordance with the requirements of the SEC, the information required by this item will be filed with the SEC on Form 10-K/A within 120 days of December 31, 2019.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Consistent with previous years and in accordance with the requirements of the SEC, the information required by this item will be filed with the SEC on Form 10-K/A within 120 days of December 31, 2019.

Item 14. Principal Accounting Fees and Services.

Consistent with previous years and in accordance with the requirements of the SEC, the information required by this item will be filed with the SEC on Form 10-K/A within 120 days of December 31, 2019.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) List of documents filed as part of this report

Exhibit No.	Description
2.1	Joint Prepackaged Chapter 11 Plan of Offshore Group Investment Limited and its Affiliated Debtors, dated December 1, 2015, which is Exhibit A to the Disclosure Statement (Incorporated by reference to Exhibit 99.T3E.1 of the Form T-3 filed by Offshore Group Investment Limited with the SEC on December 2, 2015).
3.1	Fourth Amended and Restated Memorandum and Articles of Incorporation of the Company effective as of March 4, 2019 (Incorporated by reference by Exhibit 3.1 of the Company's current report on Form 8-K filed with the SEC on March 8, 2019)
4.1	First Lien Indenture by and between Vantage Drilling International, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee and first lien collateral agent, dated as of November 30, 2018 (Incorporated by reference to Exhibit 4.1 of the Company's current report on Form 8-K filed with the SEC on December 4, 2018)
4.2	Third Lien Indenture by and between Offshore Group Investment Limited, the guarantors from time to time party thereto (including certain of the Assignors, as defined therein) and U.S. Bank National Association, as trustee and noteholder collateral agent, dated as of February 10, 2016 (Incorporated by reference to Exhibit 4.3 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
4.3	Supplemental Indenture, dated as of June 8, 2016, among Vantage Drilling International (f/k/a Offshore Group Investment Limited), the guarantors party thereto, and U.S. Bank National Association, as trustee and noteholder collateral agent, to the Third Lien Indenture dated as of February 10, 2016 (Incorporated by reference to Exhibit 4.4 of the Company's Form S-1 filed with the SEC on June 16, 2016)
4.4	First Supplemental Indenture by and between Vantage Drilling International, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee and first lien collateral agent, dated January 24, 2019 (Filed herewith)
4.5	Second Supplemental Indenture by and between Vantage Drilling International, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee and first lien collateral agent, dated February 13, 2019 (Filed herewith)
10.1	Shareholders Agreement by and among Offshore Group Investment Limited and the Shareholders (as defined therein) dated as of February 10, 2016 (Incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
10.2	Registration Rights Agreement by and among Offshore Group Investment Limited and each of the Holders (as defined therein) party thereto dated as of February 10, 2016 (Incorporated by reference to Exhibit 10.2 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
10.3	Amendment No. 1 to the Registration Rights Agreement dated as of May 9, 2016, by and among Vantage Drilling International (f/k/a Offshore Group Investment Limited) and each of the Holders (as defined therein) party thereto (Incorporated by reference to Exhibit 10.3 of the Form 10-Q filed with the SEC on May 13, 2016)
10.4	Vantage Drilling International Amended and Restated 2016 Management Incentive Plan (Incorporated by reference to Exhibit 10.4 of the Amendment No. 1 to Form S-1 filed with the SEC on August 25, 2016)
10.5	Form of Restricted Stock Unit Award Agreement (Performance-Based) under the Vantage Drilling International Amended and Restated 2016 Management Incentive Plan (Incorporated by reference to Exhibit 10.5 of the Amendment No. 1 to Form S-1 filed with the SEC on August 25, 2016)
10.6	Form of Restricted Stock Unit Award Agreement (Time-Based) under the Vantage Drilling International Amended and Restated 2016 Management Incentive Plan (Incorporated by reference to Exhibit 10.6 of the Amendment No. 1 to Form S-1 filed with the SEC on August 25, 2016)
10.7	Offshore Group Investment Limited 2016 Management Incentive Plan by and between Offshore Group Investment Limited, its executive officers and certain other employees dated as of February 10, 2016 (Incorporated by reference to Exhibit 10.3 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
10.8	Form of Restricted Stock Unit Award Agreement (Performance-Based) between Offshore Group Investment Limited and each Participant (as defined therein) dated as of February 10, 2016 (Incorporated by reference to Exhibit 10.4 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
10.9	Form of Restricted Stock Unit Award Agreement (Time-Based) between Offshore Group Investment Limited and each Participant (as defined therein) dated as of February 10, 2016 (Incorporated by reference to Exhibit 10.5 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
10.10	Form of Petrobras Litigation Award Agreement (Incorporated by reference to Exhibit 10.6 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
10.11	Form of Petrobras Litigation Letter (Incorporated by reference to Exhibit 10.7 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)

Exhibit No.	Description
10.12	Third Amended and Restated Employment and Non-Competition Agreement between Offshore Group Investment Limited and Douglas W. Halkett, dated February 10, 2016 (Incorporated by reference to Exhibit 10.10 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
10.13	Third Amended and Restated Employment and Non-Competition Agreement between Offshore Group Investment Limited and William L. Thomson, dated February 10, 2016 (Incorporated by reference to Exhibit 10.11 of the Company's current report on Form 8-K filed with the SEC on February 17, 2016)
10.14	Employment Agreement between Vantage Drilling International and Douglas E. Stewart, dated May 10, 2016 (Incorporated by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed with the SEC on May 17, 2016)
10.15	Employment Agreement between Vantage Drilling International and Ihab Toma, dated August 9, 2016 (Incorporated by reference to Exhibit 10.13 of the Amendment No. 1 to Form S-1 filed with the SEC on August 25, 2016)
10.16	Employment Agreement Between Vantage Drilling International and Thomas J. Cimino, dated September 22, 2016 (Incorporated by reference to Exhibit 10.14 of the Amendment No. 2 to Form S-1 filed with the SEC on October 11, 2016)
10.17	Registration Rights Agreement among Vantage Drilling International, Vantage Drilling Company and the joint official liquidators of Vantage Drilling Company, dated as of April 26, 2017 (Incorporated by reference to Exhibit 10.1 of the Form 10-K/A filed with the SEC on May 1, 2017)
10.18	Amendment to the Shareholders Agreement of Vantage Drilling International dated March 4, 2019 (Incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the SEC on March 8, 2019)
10.19	Agreement, dated June 20, 2019, among Vantage Deepwater Company, Vantage Deepwater Drilling, Inc., Petroleo Brasileiro S.A., Petrobras America, Inc. and Petrobras Venezuela Investments & Services, BV. (Incorporated by reference to Exhibit 10.1 of the From 8-K filed with the SEC on June 24, 2019)
21.1	Subsidiaries of Vantage Drilling International (Filed herewith)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 (Filed herewith)
31.2	Certification of Principal Financial and Accounting Officer Pursuant to Section 302 (Filed herewith)
32.1	Certification of Principal Executive Officer Pursuant to Section 906 (Filed herewith)
32.2	Certification of Principal Financial and Accounting Officer Pursuant to Section 906 (Filed herewith)
101.INS	— XBRL Instance Document (Filed herewith)
101.SCH	— XBRL Schema Document (Filed herewith)
101.CAL	— XBRL Calculation Document (Filed herewith)
101.DEF	— XBRL Definition Linkbase Document (Filed herewith)
101.LAB	— XBRL Label Linkbase Document (Filed herewith)
101.PRE	— XBRL Presentation Linkbase Document (Filed herewith)

Item 16. Form 10-K Summary.

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VANTAGE DRILLING INTERNATIONAL

By:	/s/ THOMAS J. CIMINO
Name:	Thomas J. Cimino
Title:	*Chief Financial Officer*
Date:	March 9, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons in the capacities and on the dates indicated.

Name	Position	Date
/s/ Ihab Toma Ihab Toma	Chief Executive Officer (Principal Executive Officer)	March 9, 2020
/s/ Thomas J. Cimino Thomas J. Cimino	Chief Financial Officer (Principal Financial and Accounting Officer)	March 9, 2020
/s/ Thomas R. Bates, Jr. Thomas R. Bates, Jr.	Chairman and Director	March 9, 2020
/s/ Nils E. Larsen Nils E. Larsen	Director	March 9, 2020
/s/ L. Spencer Wells L. Spencer Wells	Director	March 9, 2020
/s/ Scott McCarty Scott McCarty	Director	March 9, 2020
/s/ Matthew Bonanno Matthew Bonanno	Director	March 9, 2020
/s/ Paul A. Gordon Paul A. Gordon	Director	March 9, 2020
/s/ Richard B. Aubrey III Richard B. Aubrey III	Director	March 9, 2020