# Shelf Drilling Q3 2023 Results Highlights

9 November 2023

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"Adjusted Revenues" is defined as the Revenues less the amortization of intangible liability. Adjusted Revenues provide investors with a financial measure used in our industry to better evaluate our results without regard to non-cash amortization of intangible liability. ''EBITDA'' as used herein represents revenue less: operating & maintenance expenses, selling, general & administrative expenses, provision for / (reversal of provision for) credit losses, net, share-based compensation expense, net of forfeitures, and other, net, and excludes amortization of intangible liability, interest expense and financing charges, interest income, income tax expense, depreciation, amortization of deferred costs, loss on impairment and loss / (gain) on disposal of assets. ''Adjusted EBITDA'' as used herein represents EBITDA as adjusted for the exclusion of one-time corporate transaction costs and acquired rig reactivation costs and restructuring costs. These terms, as we define them, may not be comparable to similarly titled measures employed by other companies and are not a measure of performance calculated in accordance with U.S. GAAP. "Adjusted EBITDA margin" as used herein represents Adjusted EBITDA divided by the total revenues excluding the amortization of intangible liability. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for operating income, net income or other income or cash flow statement data prepared in accordance with U.S. GAAP. We believe that Adjusted Revenues, EBITDA and Adjusted EBITDA are useful because they are widely used by investors in our industry to measure a company's operating performance without regard to items such as interest, income tax expense, depreciation and amortization and other non-recurring expenses (benefits), which can vary substantially from company to company. EBITDA and Adjusted EBITDA have significant limitations, such as not reflecting our cash requirements for capital expenditures and deferred costs, contractual commitments, working capital, taxes or debt service. Our management uses EBITDA and Adjusted EBITDA for the reasons stated above. In addition, our management uses Adjusted EBITDA in presentations to our Board of Directors to provide a consistent basis to measure operating performance of management; as a measure for planning and forecasting overall expectations; for evaluation of actual results against such expectations; and in communications with equity holders, lenders, note holders, rating agencies and others concerning our financial performance.

Due to the forward-looking nature of Adjusted EBITDA, management cannot reliably predict certain of the necessary components of the most directly comparable forward-looking GAAP measure. Accordingly, the company is unable to present a quantitative reconciliation of such forward-looking non-GAAP financial measure to the most directly comparable forward-looking GAAP financial measure without unreasonable effort.

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# Q3 2023 Highlights

**New $1.095 billion principal amount, 9.625% Senior Secured Notes due in 2029[1]**

**Quarterly EBITDA exceeded $100MM, further 58% sequential improvement**

**Full Year 2023 financial guidance remains unchanged**

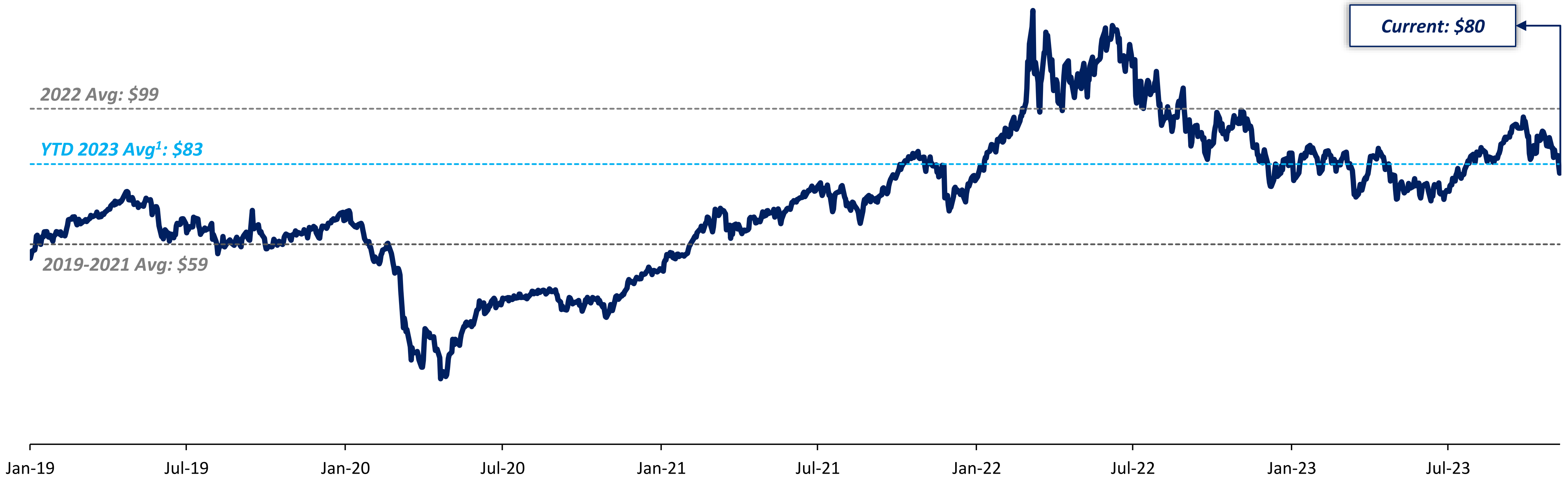
**Backlog provides strong visibility**
***→ 83 rig years across 34 contracted rigs***

| | |
|---|---|
| **0.16** YTD TRIR[2] | **98.7%** Uptime |
| **$115 MM** Adjusted EBITDA | **43%** Adjusted EBITDA Margin |
| **$2.5 BN** Backlog[3] | **94%** Marketed Utilization[3] |

*Note (1): Issued in October 2023*
*Note (2): Total Recordable Incident Rate, per 200,000 manhours, year-to-date as of 30 September 2023.*
*Note (3): Backlog and Marketed Utilization are as of 30 September 2023.*

# Oil Prices Remain Supportive of Improving Activity Levels

## Brent Oil Price ($/bbl)




Commodity prices remain elevated and constructive for further E&P investments in rebuilding productive capacity

OPEC+ has shown an increasing willingness to intervene in the commodities market by flexing production

Lack of upstream investments in the past decade has resulted in severe supply constraints

Offshore capex in proven reservoirs expected to increase to offset declining onshore productive capacity

*Source: Bloomberg, as of 8 November 2023.*
*Note (1): YTD 2023 Average Brent oil price based on 1 January 2023 to 8 November 2023.*

# Continued Growth in Global Jack-up Demand

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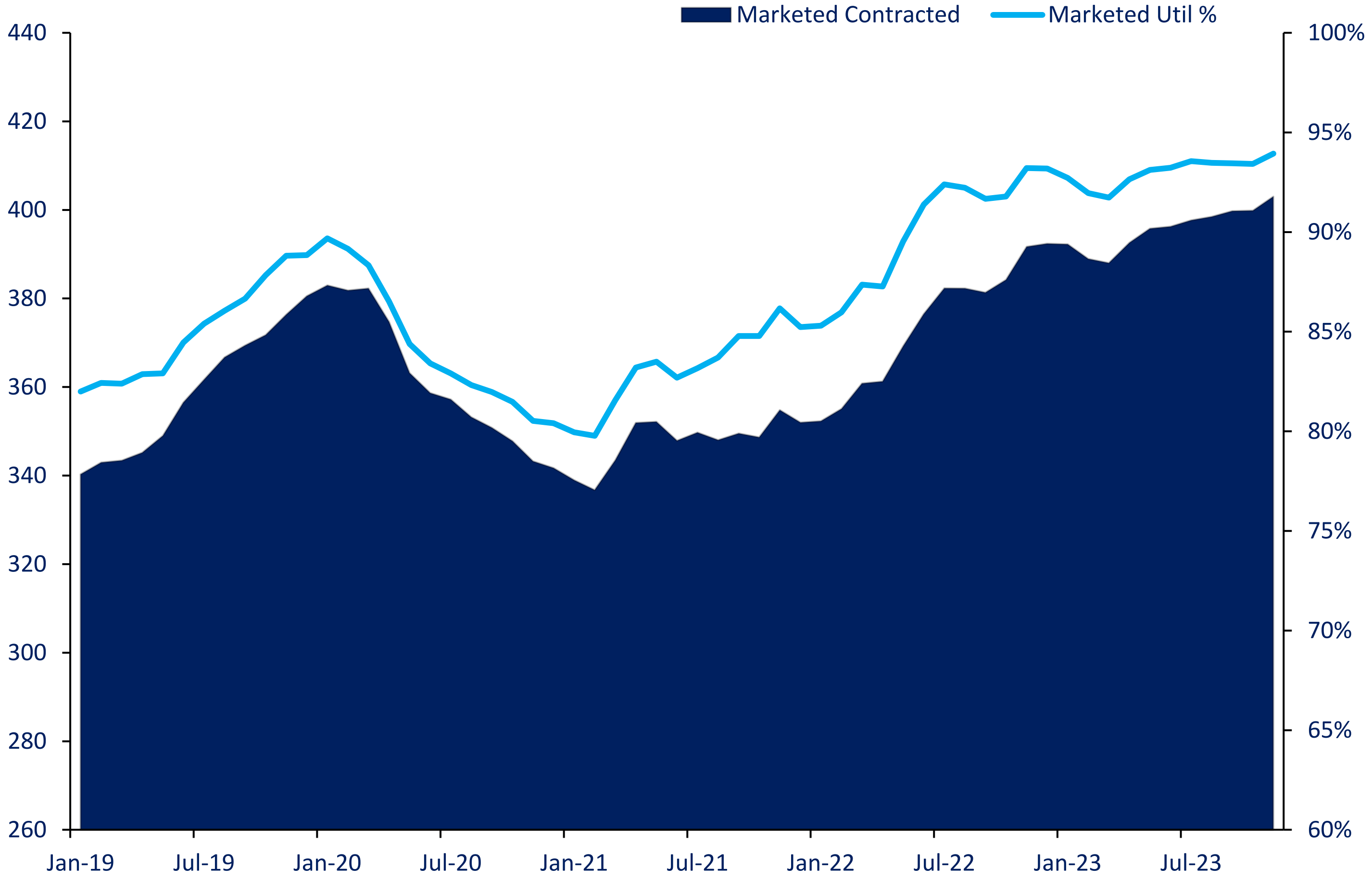
- Global number of contracted jack-ups increased from 390 in January 2023 to 403 in November 2023, a threshold last seen in April 2015
  - Positive dayrate momentum continues in most regions on both standard and premium rigs as marketed utilization approaches 95%
- Lack of upstream investments in the recent decade has severely constrained oil and natural gas supply, and virtually all producers are looking offshore to replenish declining onshore capacity
  - NOCs have deployed most of their newly contracted jack-up rigs, and some are expected to tender for more rigs in the coming months
  - IOCs and independents have met limited success in contracting rigs for their shallow water programs around the world, are expected to continue tendering for additional rig capacity
- Demand for jack-up services expected to be resilient despite recent macroeconomic headwinds and geopolitical conflicts
  - Anticipate rig count increases in India and Southeast Asia in 2024

## Number of Contracted Jack-ups[1]




*Note (1): Independent legs and cantilever units only, excludes mat-supported rigs.*
*Source: IHS Petrodata, as of 8 November 2023.*

# Excess Jack-up Supply has Disappeared

Middle East rig count continues to set records

- Further increases expected in years ahead

Other markets (West Africa, SE Asia, North Sea and Mexico) still well below prior peaks

- Increasing number of market inquiries by customers, particularly in SE Asia

China rig count continues to climb, absorbing previously stranded newbuilds

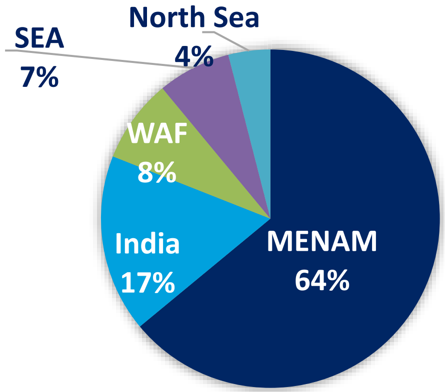
Material reduction in supply over last decade

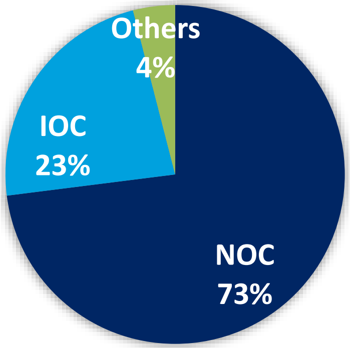
| Regions | Contracted Jack-ups | | Change Since Prior Peak |
|---|---|---|---|
| | Apr-14 | Nov-23 | |
| **Middle East** | 127 | 179 | 52 |
| **India** | 32 | 34 | 2 |
| **West Africa** | 20 | 13 | -7 |
| **SE Asia** | 67 | 36 | -31 |
| **North Sea** | 46 | 29 | -17 |
| **Mexico** | 50 | 33 | -17 |
| **US GOM** | 15 | 4 | -11 |
| **China** | 30 | 55 | 25 |
| **Sub-Total** | 387 | 383 | -4 |
| **Total Under Contract** | 429 | 403 | -26 |
| **Available** | 24 | 26 | 2 |
| **Total Active Supply** | 453 | 429 | -24 |
| **% Marketed Utilization** | 95% | 94% | -1 p.p. |
| **Under Construction** | 141 | 18 | -123 |

*Source: IHS Petrodata, as of 8 November 2023.*
*Note (1): Includes rigs known to be committed to future contracts, i.e., 2 ordered by ARO and 4 purchased by COSL.*

# High Utilization and Strong Backlog

## Total Backlog - $2,525 Million




*Backlog and Rig Years figures as of 30 September 2023*

## Fleet Status Summary (As of 9 November 2023)

| | Contracted | Available | Total | % Contracted |
|---|---|---|---|---|
| **MENAM** | **14** | 0 | **14** | **100%** |
| Gulf Region[1] | 10 | 0 | 10 | 100% |
| NAF/Med[2] | 4 | 0 | 4 | 100% |
| **India** | **9** | 0 | **9** | **100%** |
| **West Africa** | **5** | 1 | **6** | **83%** |
| **SE Asia** | **3** | 0 | **3** | **100%** |
| **North Sea** | **3** | 1 | **4** | **75%** |
| **Total** | **34** | **2** | **36** | **94%** |

## Backlog by Asset Type

| | Rigs | Backlog (million) | Dayrate (thousand) | Rig Years |
|---|---|---|---|---|
| Standard 1 *(IN, EG)* | 11 | $395 | $55 | 19.0 |
| Standard 2 *(ME, Med, WAF)* | 11 | $1,217 | $85 | 39.2 |
| Premium *(excl SDNS)* | 9 | $695 | $100 | 19.0 |
| **Shelf Drilling** *(excl SDNS)* | **31** | **$2,306** | **$81** | **77.9** |
| **SDNS** | 5 | $219 | $112 | 5.3 |
| **TOTAL** | **36** | **$2,525** | **$83** | **83.2** |

## Recent Developments

- Shelf Drilling Fortress secured a 2-well contract extension in the UK North Sea; rig is now firm until June 2024 with additional remaining option wells thereafter.
- Shelf Drilling Perseverance is available and marketed for multiple opportunities.
- Adriatic I and Shelf Drilling Mentor secured new contracts in Nigeria for firm durations of 16 months and 8 months, respectively. The combined value for the firm periods is ~$93 million. Both rigs have commenced their respective new contracts in October 2023.
- Baltic completed contract with TotalEnergies in Nigeria in September 2023. The rig is now available and marketed for multiple opportunities.
- Trident II completed contract with ONGC in India in September 2023. The rig is undergoing a planned OOS project in the UAE before returning to India with the same customer for an upcoming 3-year contract.

*Note (1): Gulf Region includes Saudi Arabia, Qatar, UAE, Bahrain and Oman.*
*Note (2): NAF/Med includes Egypt and Italy*

# Successfully Executed Multi-asset Refinancing Transaction

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## Refinancing Transaction Overview

- Shelf Drilling has refinanced its near-term maturities (November 2024 and February 2025). The refinancing of $1.21bn across the two outstanding HY notes closed in Oct-23 with the following instruments:
  - New 5.5yr Senior Secured Notes: $1.095bn (issued at ~2% OID)
  - New 9-month Term Loan A: $50m
  - New Equity: $60m
- In addition, Shelf Drilling has also put in place a new $125m, 4.5yr RCF remains undrawn[1]

| | |
|---|---|
| 1 | **Extended maturity schedule and simplified capital structure** |
| 2 | **Improved liquidity position with new RCF** |
| 3 | **Broadened debt and equity investor base** |

## Sources & Uses

| Sources of Funds | $m |
|---|---|
| New SSNs (Gross Proceeds) | 1,075 |
| New Super Senior Term Loan A | 50 |
| New Equity Raise[2] | 60 |
| New Super Senior RCF ($125m)[1] | - |
| Cash | 70 |
| **Total Sources** | **1,255** |

| Uses of Funds | $m |
|---|---|
| 2025 SUNs Repayment | 900 |
| 2024 SSNs Repayment | 310 |
| Fees and Transaction Costs[3] | 45 |
| **Total Uses** | **1,255** |

*Note (1): RCF remains undrawn at Issue Date and utilized to provide bank guarantees in the aggregate amount of c.$23m.*
*Note (2): On Sept 26, 2023, Shelf Drilling, Ltd. announced an equity raise by way of an issuance of shares of the Parent to certain institutional investors in amount of $60m NOK eq.*
*Note (3) Includes Call Premium on $900m Feb-25 SUNs as well as Transaction Fees and Expenses (excludes Accrued Interest).*

# Investment Highlights

- Operating Platform Creates Differentiation
- Strategic Revolution and Transformation of Our Jack-up Rig Fleet
- Sustainability Leader with a Focus on Low Carbon Intensity Region
- Strong Relationships with Blue-chip Customers and Top-tier Industry Backlog
- Robust Through the Cycle Margins with Accelerating Revenue
- Full Cycle Financial Resilience and Prudent Balance Sheet Management
- Well-Positioned to Benefit from Improving Jack-up Market

# Financial Highlights

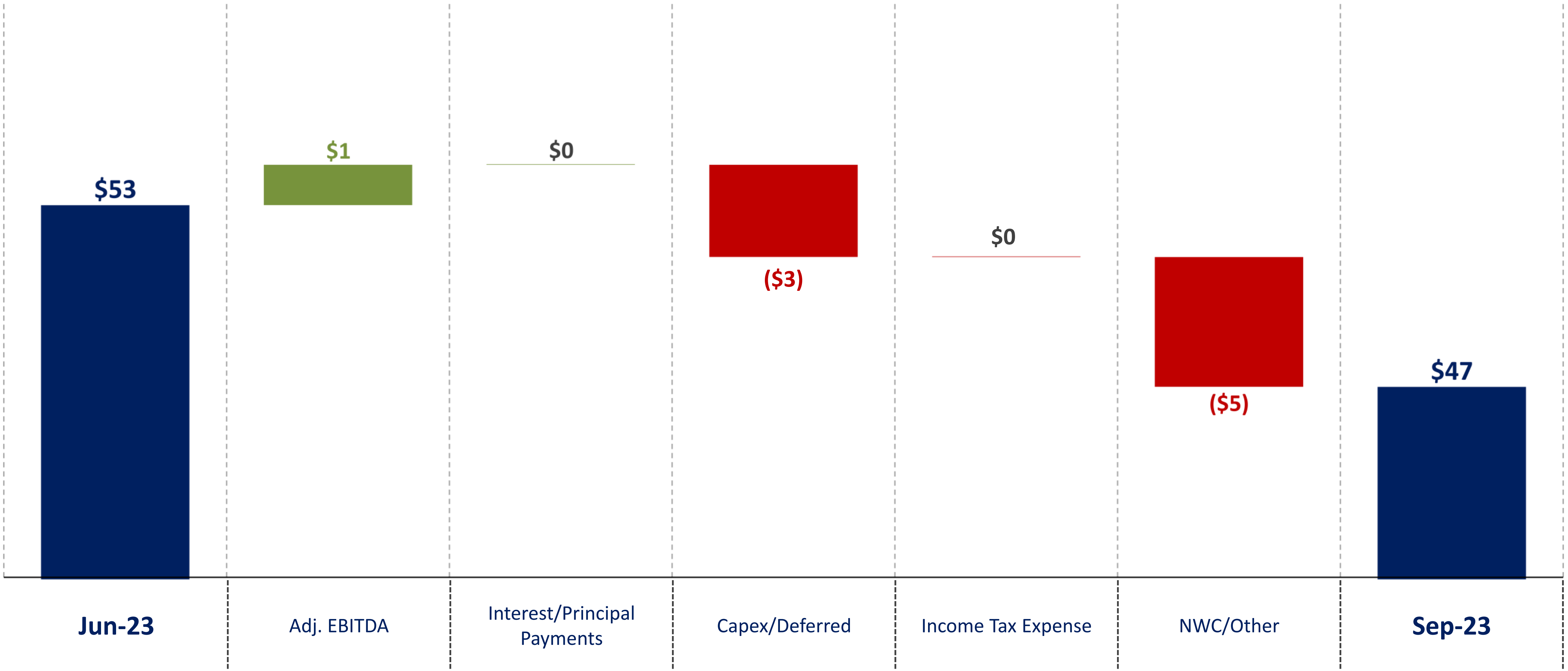
Shelf Drilling Q3 2023 Results Highlights

# Q3 2023 Results Highlights

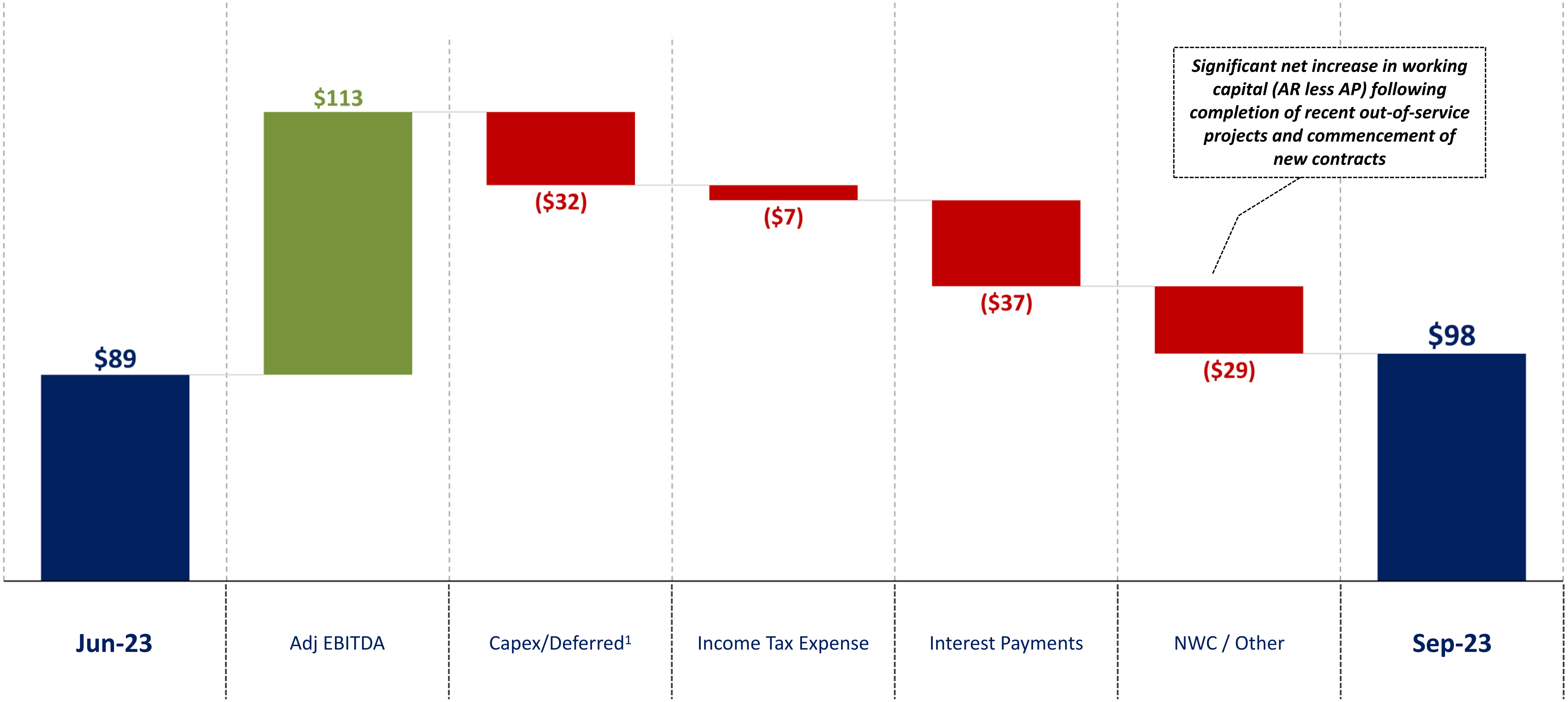
| | SDL Consol. | | SDNS | | SDL Excl. SDNS | |
|---|---|---|---|---|---|---|
| | Q2 2023 | Q3 2023 | Q2 2023 | Q3 2023 | Q2 2023 | Q3 2023 |
| Adj. Revenue[1] | $211 | $264 | $30 | $32 | $181 | $232 |
| Adj. EBITDA[1] | $73 | $115 | $5 | $1 | $68 | $113 |
| Capex/Deferred | $61 | $35 | $2 | $3 | $59 | $32 |
| Cash | $142 | $145 | $53 | $47 | $89 | $98 |

*All figures in USD millions*
*Note 1: Excludes amortization of intangible liability*

# Shelf Drilling North Sea: Q3 2023 Change in Cash



# Shelf Drilling (excl. SDNS): Q3 2023 Change in Cash




*Note (1): Excludes SDNS.*

# 2023 Financial Guidance – Maintained

SHELF DRILLING

| FY 2023 Adjusted EBITDA |
|---|
| **$310 – $345 million** |

**FY 2023 Capital Expenditures & Deferred Costs**

| Total | $220 – $245 million |
|---|---|
| Less SDNS | $20 – $25 million |
| Less Mobilization Fees | ~$100 million |
| Net Spending (excl. SDNS) | ~$110 million |

- Estimate range reflects Shelf Drilling on fully consolidated basis
  - Includes 100% of Shelf Drilling North Sea ("SDNS")
- Q4 2023 Adjusted Revenues expected to decline 5-10% sequentially due to idle time in Nigeria and planned out-of-service time in Saudi Arabia
  - Operating & Maintenance Expenses expected to increase modestly from Q3 2023
- FY 2023 Adjusted EBITDA heavily weighted to the second half of the year, following commencement of contracts in Q2 and Q3 2023, including:
  - SD Victory and Harvey H. Ward in Saudi Arabia
  - Compact Driller in India
  - Adriatic I, SD Scepter and Trident VIII in West Africa
  - SD Resourceful in Mediterranean

- SDNS spending primarily for fleet spares and transition related activities
- Significantly higher than normal spending across rest of business expected in 2023 due to series of shipyard projects ahead of long-term contracts with new customers
  - Completion of SD Victory and Harvey H. Ward projects that commenced in the Middle East in H2 2022
  - Projects for Compact Driller, SD Scepter and SD Resourceful in H1 2023 and Key Singapore in H2 2023
- Mobilization fees of ~$100 million received (average revenue recognition period of ~4 years)
  - Represent material offset to 2023 capital program
  - **Implied net spending for 2023 expected to be substantially in line with directional annual guidance of ~$100 million for 31-rig fleet**

# Supplemental Financial Information

Shelf Drilling Q3 2023 Results Highlights

# Results of Operations

| *(In millions USD)* | Q2 2023 | Q3 2023 |
|---|---|---|
| **Adjusted revenues** | **$ 211.0** | **$ 264.2** |
| Amortization of intangible liability | 3.2 | 4.2 |
| **Revenues** | **214.2** | **268.4** |
| **Operating costs & expenses** | | |
| Operating and maintenance | 119.9 | 128.9 |
| Depreciation | 20.8 | 21.7 |
| Amortization of deferred costs | 13.3 | 18.3 |
| General and administrative | 15.0 | 20.2 |
| (Gain) / loss on disposal of assets | (0.3) | 0.5 |
| **Operating income** | **45.5** | **78.8** |
| **Other expense, net** | | |
| Interest expense and financing charges, net of interest income | (33.7) | (33.6) |
| Other, net | (3.7) | (0.3) |
| **Income before income taxes** | **8.1** | **44.9** |
| Income tax expense | 8.2 | 6.5 |
| **Net (loss) / income** | **(0.1)** | **38.4** |
| Net loss attributable to non-controlling interest | (1.8) | (2.5) |
| **Net income attributable to controlling interest** | **$ 1.7** | **$ 40.9** |

# Revenue Summary (1/2)

- Marketable rigs increased marginally in Q3 2023 compared to Q2 2023 due to the Shelf Drilling Victory operating for the full quarter in Q3 2023
- Average dayrate increased to $81.5 thousand in Q3 2023 from $74.6 thousand in Q2 2023 primarily due to higher dayrates for five rigs in Italy, the United Kingdom and Nigeria, following commencement of new contract or contract extensions
- Effective utilization increased to 90% in Q3 2023 from 82% in Q2 2023, mainly due to:
  - Commencement of two new contracts in Italy (Shelf Drilling Resourceful) and the United Kingdom (Shelf Drilling Fortress)
  - Six rigs started operations in mid to late Q2 2023: two in India (C.E. Thornton and Compact Driller), two in Saudi Arabia (Shelf Drilling Victory and Harvey H. Ward), two in West Africa (Adriatic I and Shelf Drilling Scepter)
  - Partially offset by the planned out of service for two rigs in India (Key Singapore and Trident II) and idle time for one rig in United Kingdom (Shelf Drilling Perseverance) following contract completion in July 2023.

| | Q2 2023 | Q3 2023 |
|---|---|---|
| **Operating Data** | | |
| Average marketable rigs[1] | | |
| Shelf Drilling excluding SDNS | 30.7 | 31.0 |
| Shelf Drilling North Sea | 4.0 | 4.0 |
| **Total** | **34.7** | **35.0** |
| | | |
| Average dayrate (in thousands USD)[2] | | |
| Shelf Drilling excluding SDNS | $ 74.2 | $ 80.6 |
| Shelf Drilling North Sea | 78.6 | 91.6 |
| **Total** | **$ 74.6** | **$ 81.5** |
| | | |
| Effective utilization[3] | | |
| Shelf Drilling excluding SDNS | 83 % | 93 % |
| Shelf Drilling North Sea | 74 % | 62 % |
| **Total** | **82 %** | **90 %** |

*Note (1): ''Marketable rigs'' are defined as the total number of rigs operating or available to operate, excluding: rigs under bareboat charter agreements, stacked rigs and rigs under contract for activities other than drilling or plug and abandonment services, as applicable.*
*Note (2): ''Average dayrate'' is defined as the average contract dayrate earned by marketable rigs over the reporting period excluding mobilization fees, contract preparation, capital expenditure reimbursements, demobilization, recharges, bonuses and other revenues.*
*Note (3): ''Effective utilization'' is defined as the number of calendar days during which marketable rigs generate dayrate revenues divided by the maximum number of calendar days during which those rigs could have generated dayrate revenues.*

# Revenue Summary (2/2)

- $53.2 million, or 25%, sequential increase in Adjusted Revenues
  - Increased revenues for six rigs, two in India (C.E. Thornton and Compact Driller), two in Saudi Arabia (Shelf Drilling Victory and Harvey H. Ward) and two in West Africa (Adriatic I and Shelf Drilling Scepter)
  - Three rigs in West Africa (Shelf Drilling Mentor, Baltic and Trident VIII) operating at higher dayrates for the full quarter of Q3 2023
  - Two rigs, one rig each in Italy (Shelf Drilling Resourceful) and the United Kingdom (Shelf Drilling Fortress) that commenced contracts in Q3 2023
  - Increased revenues for one rig in Norway (Shelf Drilling Barsk)
  - Partially offset by decreased revenues for one rig in India (Key Singapore) which was preparing for a new 3-year contract that started in October 2023
  - Decreased revenues for one rig that completed its contract in July 2023 in the United Kingdom (Shelf Drilling Perseverance) and currently being marketed for multiple opportunities
- Revenues include non-cash amortization of intangible liability from contracts assumed from Noble

| *(In millions USD)* | Q2 2023 | Q3 2023 |
|---|---|---|
| **Shelf Drilling excluding SDNS** | | |
| Operating revenues - dayrate | $ 171.9 | $ 214.3 |
| Operating revenues - others | 4.2 | 10.3 |
| Other revenue | 4.6 | 7.5 |
| | **$ 180.7** | **$ 232.1** |
| **Shelf Drilling North Sea** | | |
| Operating revenues - dayrate | $ 21.3 | $ 20.9 |
| Operating revenues - others | — | 0.4 |
| Other revenues | 9.0 | 10.8 |
| | **30.3** | **32.1** |
| Amortization of intangible liability | 3.2 | 4.2 |
| | **$ 33.5** | **$ 36.3** |
| **Total** | | |
| Operating revenues - dayrate | $ 193.2 | $ 235.2 |
| Operating revenues - others | 4.2 | 10.7 |
| Other revenues | 13.6 | 18.3 |
| **Adjusted Revenues** | **211.0** | **264.2** |
| Amortization of intangible liability | 3.2 | 4.2 |
| **Total Revenues** | **$ 214.2** | **$ 268.4** |

# Operating & Maintenance Expenses Summary

- SDL excluding SDNS operating & maintenance expenses increased by $6.2 million to $105.1 million in Q3 2023:
  - Higher operating costs for one rig in Saudi Arabia (Shelf Drilling Victory) and one rig in West Africa (Shelf Drilling Scepter) that started commencement of long-term contracts in April 2023 and June 2023, respectively
  - Higher operating costs for planned out of service for one rig in India (Trident II) ahead of the long-term contract expected to start in March 2024
  - Higher demobilization costs for one rig in Nigeria (Baltic) that completed its contract in late September 2023
  - Partially offset by lower shipyard expenses mainly for one rig in Italy (Shelf Drilling Resourceful) and one rig (C.E. Thornton) in India that commenced operations in August 2023 and May 2023, respectively
- SDNS operating & maintenance expenses increased by $2.8 million to $23.8 million in Q3 2023, primarily due to higher operating costs for one rig in the United Kingdom (Shelf Drilling Fortress) that was idle in Q2 2023 and started a new contract in August 2023 and higher maintenance costs for one rig in Denmark (Shelf Drilling Winner)

| *(in millions USD)* | Q2 2023 | Q3 2023 |
|---|---|---|
| **Operating & maintenance expenses** | | |
| Rig operating expenses | | |
| Shelf Drilling excluding SDNS | $ 89.1 | $ 96.0 |
| Shelf Drilling North Sea | 18.5 | 21.0 |
| | **$ 107.6** | **$ 117.0** |
| Shore-based expenses | | |
| Shelf Drilling excluding SDNS | $ 9.8 | $ 9.1 |
| Shelf Drilling North Sea | 2.5 | 2.8 |
| | **$ 12.3** | **$ 11.9** |
| Total operating & maintenance expenses | | |
| Shelf Drilling excluding SDNS | $ 98.9 | $ 105.1 |
| Shelf Drilling North Sea | 21.0 | 23.8 |
| | **$ 119.9** | **$ 128.9** |

# General & Administrative Expenses Summary

- General and administrative expenses of $20.2 million in Q3 2023 increased by $5.2 million from Q2 2023
  - Corporate G&A of $13.9 million in Q3 2023 was largely unchanged versus Q2 2023
  - Provision for credit losses of $5.7 million in Q3 2023, primarily at SDNS
- SDNS primarily includes management service fees charged by a wholly-owned subsidiary of Shelf Drilling for corporate support services ($8k per rig per day)
- Transition and associated one-time costs completed in Q2 2023 for all acquired rigs, except for the Shelf Drilling Barsk for which the transition is expected to take place after the completion of the current contract, currently estimated to be November 2023

| *(in millions USD)* | Q2 2023 | Q3 2023 |
|---|---|---|
| **General & administrative expenses** | | |
| Shelf Drilling excluding SDNS | | |
| Corporate G&A | $ 10.4 | $ 9.9 |
| (Reversal of provision) / provision for credit losses, net | (0.1) | 2.4 |
| Share-based compensation | 0.6 | 0.6 |
| **General & administrative** | **$ 10.9** | **$ 12.9** |
| Shelf Drilling North Sea | | |
| Corporate G&A | $ 3.8 | $ 4.0 |
| Provision for credit losses, net | — | 3.3 |
| One-time corporate transaction costs [1] | 0.3 | — |
| **General & administrative** | **$ 4.1** | **$ 7.3** |
| Total | | |
| Corporate G&A | $ 14.2 | $ 13.9 |
| (Reversal of provision) / provision for credit losses, net | (0.1) | 5.7 |
| Share-based compensation | 0.6 | 0.6 |
| One-time corporate transaction costs [1] | 0.3 | — |
| **General & administrative** | **$ 15.0** | **$ 20.2** |

*Note (1): "One-time corporate transaction costs" represents certain one-time third party professional services recorded at SDNS level.*

# Adjusted EBITDA Reconciliation

| *(In millions USD)* | Q2 2023 | Q3 2023 |
|---|---|---|
| **Net (loss) / income** | **$ (0.1)** | **$ 38.4** |
| Add back | | |
| Interest expense and financing charges, net of interest income [1] | 33.7 | 33.6 |
| Income tax expense | 8.2 | 6.5 |
| Depreciation | 20.8 | 21.7 |
| Amortization of deferred costs | 13.3 | 18.3 |
| (Gain) / loss on disposal of assets | (0.3) | 0.5 |
| Amortization of intangible liability | (3.2) | (4.2) |
| **EBITDA** | **72.4** | **114.8** |
| One-time corporate transaction costs | 0.3 | — |
| **Adjusted EBITDA** | **72.7** | **114.8** |
| Allocated as: | | |
| Shelf Drilling excluding SDNS | 67.7 | 113.4 |
| Shelf Drilling North Sea | 5.0 | 1.4 |
| | **$ 72.7** | **$ 114.8** |
| **Adjusted EBITDA margin** | **34%** | **43%** |

*Note (1): "Interest expense and financing charges, net of interest income'' is defined as interest expenses incurred and accrued on our debt and the amortization of debt issuance fees and costs over the term of the debt, net of interest income.*

# Capital Expenditures and Deferred Costs Summary

| *(In millions USD)* | Q2 2023 | Q3 2023 |
|---|---|---|
| **Capital Expenditures and Deferred Costs:** | | |
| Regulatory and capital maintenance [1] | $ 21.3 | $ 13.9 |
| Contract preparation [2] | 32.0 | 11.1 |
| Fleet spares, transition costs and others [3] | 3.7 | 8.6 |
| | 57.0 | 33.6 |
| Rig acquisitions [4] | 3.9 | 1.2 |
| **Total Capital Expenditures and Deferred Costs** | **$ 60.9** | **$ 34.8** |
| | | |
| **Allocated as:** | | |
| Shelf Drilling excluding SDNS | $ 58.7 | $ 31.6 |
| Shelf Drilling North Sea [5] | 2.2 | 3.2 |
| **Total Capital Expenditures and Deferred Costs** | **$ 60.9** | **$ 34.8** |
| | | |
| *Reconciliation to Statements of Cash Flow* | | |
| Cash payments for additions to PP&E | $ 45.8 | $ 20.4 |
| Net change in advances and accrued but unpaid additions to PP&E | (26.3) | (6.7) |
| Total capital expenditures | 19.5 | 13.7 |
| | | |
| Changes in deferred costs, net | 28.1 | 2.8 |
| Add: Amortization of deferred costs | 13.3 | 18.3 |
| Total deferred costs | 41.4 | 21.1 |
| **Total Capital Expenditures and Deferred Costs** | **$ 60.9** | **$ 34.8** |

*Note: (1): "Regulatory and capital maintenance" includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures.*
*Note: (2): "Contract preparation" includes specific upgrade, mobilization and preparation costs associated with a customer contract.*
*Note: (3): "Fleet spares, transition costs and others" includes: (i) acquisition and certification costs for the rig fleet spares pool which is allocated to specific rig expenditures as and when required by that rig, which will result in an expenditure charge to that rig and a credit to fleet spares, (ii) costs related to recently acquired rigs and (iii) office and infrastructure expenditures.*
*Note: (4): "Rig acquisitions" includes capital expenditures and deferred costs associated mainly with the Shelf Drilling Victory acquisition and readiness projects.*
*Note: (5): "Shelf Drilling North Sea" includes the acquisition and transition and other costs for the five rigs acquired from Noble in 2022.*

# SDNS – Capital Expenditures and Deferred Costs Summary

- Capital Expenditures and Deferred Costs for SDNS of $3.2 million in Q3 2023 increased by $1.0 million from Q2 2023, mainly related to higher spending on fleet spares
- Year-to-date capital spending of $8.0 million primarily related to $6.6 million of transition related costs and investment in fleet spares

| *(In millions USD)* | Q2 2023 | Q3 2023 |
|---|---|---|
| **Capital Expenditures and Deferred Costs:** | | |
| Regulatory and capital maintenance [1] | $ 0.3 | $ 0.6 |
| Fleet spares, transition costs and others [2] | 1.9 | 2.6 |
| **Total Capital Expenditures and Deferred Costs** | **$ 2.2** | **$ 3.2** |
| *Reconciliation to Statements of Cash Flow* | | |
| Cash payments for additions to PP&E | $ 1.4 | $ 2.8 |
| Net change in advances and accrued but unpaid additions to PP&E | 0.6 | (0.3) |
| Total capital expenditures | 2.0 | 2.5 |
| Changes in deferred costs, net | 0.2 | 0.7 |
| Add: Amortization of deferred costs | — | — |
| Total deferred costs | 0.2 | 0.7 |
| **Total Capital Expenditures and Deferred Costs** | **$ 2.2** | **$ 3.2** |

*Note: (1): "Regulatory and capital maintenance" includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures.*
*Note: (2): "Fleet spares, transition costs and others" mainly includes: (i) acquisition and certification costs for the rig fleet spares pool which is allocated to specific rig expenditures as and when required by that rig, which will result in an expenditure charge to that rig and a credit to fleet spares, (ii) costs related to recently acquired rigs and (iii) office and infrastructure expenditures.*

# SDL excluding SDNS - Capital Expenditures and Deferred Costs Summary

- Capital Expenditures and Deferred Costs totaled $31.6 million in Q3 2023, down by 27.1 million from Q2 2023 primarily as a result of:
  - Lower spending for three rigs in West Africa (Trident VIII, Adriatic I and Shelf Drilling Scepter), one rig in Italy (Shelf Drilling Resourceful) and one rig in Saudi Arabia (Harvey H. Ward) which commenced operations in late Q2 2023 and Q3 2023
  - Lower rig readiness costs for Shelf Drilling Victory which commenced its new long-term contract in Q2 2023
  - Partially offset by higher contract preparation expenditures for one rig in India (Key Singapore) that commenced its long-term contract in October 2023
  - Higher spending on fleet spares

| *(In millions USD)* | | Q2 2023 | | Q3 2023 |
|---|---|---|---|---|
| **Capital Expenditures and Deferred Costs:** | | | | |
| Regulatory and capital maintenance [1] | $ | 21.0 | $ | 13.3 |
| Contract preparation [2] | | 32.0 | | 11.1 |
| Fleet spares, transition costs and other [3] | | 1.8 | | 6.0 |
| | | 54.8 | | 30.4 |
| Rig acquisitions [4] | | 3.9 | | 1.2 |
| **Shelf Drilling excluding SDNS** | **$** | **58.7** | **$** | **31.6** |
| | | | | |
| *Reconciliation to Statements of Cash Flow* | | | | |
| Cash payments for additions to PP&E | $ | 44.4 | $ | 17.6 |
| Net change in advances and accrued but unpaid additions to PP&E | | (26.9) | | (6.4) |
| Total capital expenditures | | 17.5 | | 11.2 |
| | | | | |
| Changes in deferred costs, net | | 27.9 | | 2.1 |
| Add: Amortization of deferred costs | | 13.3 | | 18.3 |
| Total deferred costs | | 41.2 | | 20.4 |
| **Total Capital Expenditures and Deferred Costs** | **$** | **58.7** | **$** | **31.6** |

*Note: (1): "Regulatory and capital maintenance" includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures.*
*Note: (2): "Contract preparation" includes specific upgrade, mobilization and preparation costs associated with a customer contract.*
*Note: (3): "Fleet spares, transition costs and others" mainly includes: (i) acquisition and certification costs for the rig fleet spares pool which is allocated to specific rig expenditures as and when required by that rig, which will result in an expenditure charge to that rig and a credit to fleet spares and (ii) office and infrastructure expenditures.*
*Note: (4): "Rig acquisitions" primarily includes capital expenditures and deferred costs associated with the acquisition and readiness project for the Shelf Drilling Victory acquired in July 2022.*

# Capital Structure Summary

| *(In millions USD)* | YE 2021 | YE 2022 | Q2 2023 | Q3 2023 |
|---|---|---|---|---|
| Cash and cash equivalents | $ 232.3 | $ 140.8 | $ 141.9 | $ 144.7 |
| Restricted cash | 20.9 | 36.5 | 32.1 | 31.9 |
| Total long-lived assets [1] | 1,165.7 | 1,621.2 | 1,698.1 | 1,690.6 |
| **Total assets** | **$ 1,617.5** | **$ 2,046.3** | **$ 2,146.6** | **$ 2,241.6** |
| 8.25% Senior unsecured notes due 2025 [2] | $ 893.1 | $ 895.1 | $ 896.2 | $ 896.8 |
| 8.875% Senior secured notes due 2024 [3] | 299.4 | 302.8 | 304.6 | 305.5 |
| | **$ 1,192.5** | **$ 1,197.9** | **$ 1,200.8** | **$ 1,202.3** |
| 10.25% Senior secured notes due 2025 [4] | — | 238.8 | 240.6 | 241.5 |
| **Total debt** | **$ 1,192.5** | **$ 1,436.7** | **$ 1,441.4** | **$ 1,443.8** |
| Net debt | $ 960.2 | $ 1,295.9 | $ 1,299.5 | $ 1,299.1 |
| Total equity attributable to controlling interest | **$ 213.7** | **$ 235.6** | **$ 249.2** | **$ 348.3** |
| Non-controlling interest | — | 79.9 | 77.2 | 74.7 |
| Total equity | **$ 213.7** | **$ 315.5** | **$ 326.4** | **$ 423.0** |

- LTM Adjusted EBITDA of $299.1 million and Net Leverage ratio of 4.3x for SDL ($269.0 million and 4.1x for Shelf Drilling excluding SDNS)
- Cash and cash equivalents balance at SDNS at September 30, 2023 of $46.6 million ($98.1 million at SDL excluding SDNS)
- Restricted cash securing bank guarantees was $31.9 million as of September 30, 2023 compared to $32.1 million as of June 30, 2023, including $4.6 million at SDNS
- Total shares outstanding of 213.4 million as of September 30, 2023
  - In September 2023, 19.4 million common shares were issued at NOK 33.0 per share, resulting in $59.7 million of gross proceeds, of which $59.5 million was received in October 2023
  - Primary insiders: 67.8 million or 31.8%, consisting primarily of China Merchants: 26.8 million (12.6%), Castle Harlan: 20.4 million (9.6%) and Lime Rock: 17.4 million (8.1%) (Lime Rock disclosed sale of 17.2 million shares in Octobers 2023)
- Refinancing transactions completed in October 2023

*Note (1): "Total long lived assets" are defined as property plant and equipment, right-of-use assets and short term and long term deferred costs. This excludes assets held for sale.*
*Note (2): Reflects carrying value. Principal value is $900.0 million.*
*Note (3): Reflects carrying value. Principal value is $310.0 million.*
*Note (4): Reflects carrying value. Principal value was $250.0 million.*

# Free Cash Flow Summary

- Q3 2023 Adjusted EBITDA increased to $114.8 million (adjusted EBITDA margin of 43%) primarily due to an increase in effective utilization and dayrates, partially offset by higher operating expenditures
- Cash and cash equivalents increased by $2.8 million to $144.7 during Q3 2023, mainly due to:
  - Strong EBITDA generation in Q3 2023
  - Partially offset by significant increase in net working capital (increase in A/R and decrease in A/P) following completion of out-of-service projects and commencement of new contracts, and larger cash interest payment in Q3 2023 ($37.1 million)

| Quarterly Cash Flow Summary ($MM) | Q2 2023 | Q3 2023 |
|---|---|---|
| **Adjusted EBITDA** | **$ 72.7** | **$ 114.8** |
| Adjustments | (0.3) | — |
| **EBITDA** | **$ 72.4** | **$ 114.8** |
| Interest expense, net of interest income | (33.7) | (33.6) |
| Income tax expense | (8.2) | (6.5) |
| Capital expenditures and deferred costs [1] | (57.0) | (33.6) |
| **Sub-total** | **$ (26.5)** | **$ 41.1** |
| *Working Capital Impact* | | |
| Interest [2] | 4.7 | (3.5) |
| Other | 24.3 | (32.9) |
| **Sub-total** | **$ 29.0** | **$ (36.4)** |
| Capex / deferred costs: Rig acquisitions | (3.9) | (1.2) |
| Net proceeds from issuance of common shares | (0.3) | 0.2 |
| Payments of debt issuance costs | — | (0.9) |
| **Sub-total** | **$ (4.2)** | **$ (1.9)** |
| **Net change in cash and cash equivalents** | **$ (1.7)** | **$ 2.8** |
| Beginning Cash | 143.6 | 141.9 |
| **Ending cash and cash equivalents** | **$ 141.9** | **$ 144.7** |

*Note (1): Excludes rig acquisitions.*
*Note (2): Represents the difference between interest expense, net and cash interest payments during the period.*

# Free Cash Flow Summary

SHELF DRILLING

| Quarterly Cash Flow Summary ($MM) - Q3 2023 | Shelf Drilling excluding SDNS | Shelf Drilling North Sea | Total |
|---|---|---|---|
| **Adjusted EBITDA** | **$ 113.4** | **$ 1.4** | **$ 114.8** |
| Adjustments | — | — | — |
| **EBITDA** | **$ 113.4** | **$ 1.4** | **$ 114.8** |
| Interest expense, net of interest income | (26.5) | (7.1) | (33.6) |
| Income tax expense | (6.5) | — | (6.5) |
| Capital expenditures and deferred costs [1] | (30.4) | (3.2) | (33.6) |
| **Sub-total** | **$ 50.0** | **$ (8.9)** | **$ 41.1** |
| Working Capital Impact | | | |
| Interest [2] | (10.6) | 7.1 | (3.5) |
| Other | (28.4) | (4.5) | (32.9) |
| **Sub-total** | **$ (39.0)** | **$ 2.6** | **$ (36.4)** |
| Capex / deferred costs: Rig acquisitions | (1.2) | — | (1.2) |
| Net proceeds from issuance of common shares | 0.2 | — | 0.2 |
| Payments of debt issuance costs | (0.9) | — | (0.9) |
| **Sub-total** | **$ (1.9)** | **$ —** | **$ (1.9)** |
| **Net change in cash and cash equivalents** | **$ 9.1** | **$ (6.3)** | **$ 2.8** |
| Beginning cash | 89.0 | 52.9 | 141.9 |
| **Ending cash and cash equivalents** | **$ 98.1** | **$ 46.6** | **$ 144.7** |

*Note (1): Excludes rig acquisitions.*
*Note (2): Represents the difference between interest expense, net and cash interest payments during the period.*

SHELF DRILLING