PRESS RELEASE
SHELF DRILLING
REPORTS FIRST QUARTER 2024 RESULTS

Dubai, UAE, May 15, 2024 – Shelf Drilling, Ltd. (“Shelf Drilling”, “SDL” and, together with its subsidiaries, the “Company”, OSE: SHLF) announces results for the first quarter of 2024 ended March 31. The results highlights will be presented by audio conference call on May 16, 2024 at 6:00 pm Dubai time / 4:00 pm Oslo time. Dial-in details for the call are included in the press release posted on May 7, 2024 and on page 3 of this release.

David Mullen, Chief Executive Officer, commented: “*During the first quarter of 2024, Shelf Drilling continued to deliver safe, reliable, and efficient operations to all our customers. Our EBITDA decreased 9% sequentially to $80 million, primarily due to the end of the Shelf Drilling Barsk bareboat charter during the fourth quarter of 2023. This rig is currently in final stages of preparation for its next long-term contract in Norway, which is expected to start later this month*.”

Mullen added: “*The decision by Saudi Aramco to suspend 22 jack-up rig contracts has created some near-term uncertainty in our sector. However, the underlying market fundamentals remain strong with a robust oil market backdrop and incremental rig demand in nearly all other regions around the world. We are actively marketing 3 of our 4 suspended jack-ups and are confident we will have these rigs back in operation before the end of 2024 at attractive dayrate and margin levels. The recently announced refinancing transaction at Shelf Drilling North Sea further strengthens our financial position and provides long-term flexibility. Despite the short-term challenge in the Middle East, we remain well-positioned to generate significant free cash flow in 2025 and beyond*.”

First Quarter Highlights

- Q1 2024 adjusted revenues of $251.5 million.
- Q1 2024 adjusted EBITDA of $80.0 million, representing an adjusted EBITDA margin of 32%, including $(11.3) million adjusted EBITDA from Shelf Drilling (North Sea), Ltd. ("SDNS").
- Q1 2024 net income attributable to controlling interest of $4.4 million.
- Q1 2024 capital expenditures and deferred costs totaled $48.5 million, including $12.6 million at SDNS.
- The Company’s cash and cash equivalents balance at March 31, 2024 was $101.6 million, including $13.6 million at SDNS.
- Contract backlog of $2.2 billion at March 31, 2024 across 35 contracted rigs with weighted average dayrate of $83.6 thousand.
- In April 2024, the Company received a notice of suspension of operations of four rigs (Main Pass I, Main Pass IV, Shelf Drilling Victory and Shelf Drilling Achiever) from Saudi Aramco. During the suspension period the rigs will be marketed to other customers.
- In April 2024, the Shelf Drilling Barsk was awarded additional backlog with Equinor extending the firm term through December 2025 with additional option wells thereafter.
- In April 2024, the Shelf Drilling Fortress was awarded a new contract with an estimated term of 400 days, scheduled to commence in August 2024 immediately after completion of the rig's existing contract.
- On April 26, 2024, SDNS, through its subsidiary Shelf Drilling (North Sea) Holdings, Ltd. ("SDNSH") successfully placed new $315.0 million senior secured first lien bonds for 4.5 years with 9.875% interest, payable semi-annually. The transaction is expected to close in May 2024. The net proceeds from the 9.875% Senior Secured Bonds will be used to refinance the 10.25% Senior Secured Notes, due October 2025 (the “10.25% Senior Secured Notes”), fund the previously disclosed short-term liquidity requirement and transaction costs (including the call premium on the 10.25% Senior Secured Notes) and for general corporate purposes.
- Financial guidance for the full year 2024 has been revised and is included in the "2024 Financial Guidance" section of the Q1 2024 results highlights presentation on our website.

First Quarter Results

Adjusted revenues were $251.5 million in Q1 2024 compared to $238.8 million in Q4 2023. The $12.7 million (5%) sequential increase in revenues was primarily due to higher effective utilization across the fleet, as two more rigs were fully or partially operating in Q1 2024, and higher average dayrates.

Effective utilization increased to 86% in Q1 2024 from 85% in Q4 2023, primarily due to the commencement of new contracts for two rigs in West Africa and one rig in India, return to operations for two rigs in Saudi Arabia, following completion of out of service projects, partially offset by the planned shipyard for one rig in Saudi Arabia, the contract completion for one rig in Egypt in February 2024 and addition of a marketable rig in December 2023 that was out of service for all of Q1 2024 preparing for a new contract in Norway. Average earned dayrate increased to $81.7 thousand in Q1 2024 from $80.2 thousand in Q4 2023 mainly due to higher dayrates for two rigs in Nigeria and Egypt.

Total operating and maintenance expenses increased by $14.6 million (11%) in Q1 2024 to $149.5 million compared to $134.9 million in Q4 2023. The sequential increase was primarily due to higher costs for one rig in Norway that was previously under a bareboat charter agreement, higher maintenance costs for certain rigs in Saudi Arabia and India, and higher expenses for fleet spares. This was partially offset by lower shipyard and demobilization costs for two rigs in West Africa and one rig in India that commenced operations in October 2023 and April 2024.

General and administrative expenses increased by $4.4 million in Q1 2024 to $18.0 million as compared to $13.6 million in Q4 2023. The sequential increase was primarily due to an increase in compensation and benefit expenses and an increase in provision for credit losses.

Adjusted EBITDA for Q1 2024 was $80.0 million compared to $88.0 million for Q4 2023. The adjusted EBITDA margin of 32% for Q1 2024 decreased from 37% in Q4 2023.

Capital expenditures and deferred costs of $48.5 million in Q1 2024 increased by $0.9 million from $47.6 million in Q4 2023. This increase was primarily related to higher contract preparation expenditures for one rig in India and one rig in Singapore ahead of their new contract commencements in March 2024 and July 2024, partially offset by lower spending on fleet spares.

Q1 2024 ending cash and cash equivalents balance of $101.6 million was relatively unchanged as compared to $98.2 million at the end of Q4 2023. The Q1 2024 ending cash and cash equivalents balance for SDNS was $13.6 million down from $27.7 million at the end of Q4 2023. The cash and cash equivalents balance for SDL excluding SDNS increased from $70.5 million to $88.0 million during Q1 2024.

The Form 10-Q Equivalent, which includes the Condensed Consolidated Financial Statements, and a corresponding slide presentation to address the results highlights for Q1 2024 are available on the Company's website.

For further queries, please contact:

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Dial in Details for the Audio Conference call

Participants will receive conference access information only when they register for the conference via the link below:

Online Registration: https://register.vevent.com/register/BI4541f66dbc134073908c8c416d5e8280

Participants must register for the call using online registration. Upon registering, each participant will be provided with call details.

About Shelf Drilling

Shelf Drilling is a leading international shallow water offshore drilling contractor with rig operations across Middle East, Southeast Asia, India, West Africa, Mediterranean and North Sea. Shelf Drilling was founded in 2012 and has established itself as a leader within its industry through its fit-for-purpose strategy and close working relationship with industry leading clients. The Company is incorporated under the laws of the Cayman Islands with corporate headquarters in Dubai, United Arab Emirates. The Company is listed on the Oslo Stock Exchange under the ticker "SHLF".

Special Note Regarding Forward-Looking Statements

Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "strategy", "intends", "estimate", "will", "may", "continue", "should" and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and may be beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. Given these factors, users of this information should not place undue reliance on the forward-looking statements.

Additional information about Shelf Drilling can be found at www.shelfdrilling.com.

This information is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.

Financial Report for the Period Ended March 31, 2024

	Three months ended			Twelve months ended
	March 31, 2024	December 31, 2023	March 31, 2023	March 31, 2024
Operating revenues – dayrate	$ 231.5	$ 220.4	$ 161.0	$ 880.3
Operating revenues – others	12.3	11.5	3.5	38.7
Other revenues	7.7	6.9	15.3	46.5
Adjusted revenues [(1)]	**251.5**	**238.8**	**179.8**	**965.5**
Amortization of intangible liability [(2)]	3.2	3.2	3.6	13.8
Revenues [(3)]	**254.7**	**242.0**	**183.4**	**979.3**
Rig operating expenses	136.3	122.6	116.8	483.5
Shore-based expenses	13.2	12.3	12.4	49.7
Operating and maintenance expenses [(4)]	**149.5**	**134.9**	**129.2**	**533.2**
Corporate G&A [(5)]	15.8	13.7	14.4	57.6
(Reversal of provision for) / provision for credit losses, net	1.0	(0.6)	(0.3)	6.0
Share-based compensation expense, net of forfeitures [(6)]	1.0	0.6	0.6	2.8
One-time corporate transaction costs [(7)]	0.2	(0.1)	0.8	0.4
General & administrative expenses	**18.0**	**13.6**	**15.5**	**66.8**
Other, net expense / (income) [(8)]	4.2	2.2	(0.1)	10.4
EBITDA [(9)]	**79.8**	**88.1**	**35.2**	**355.1**
One-time corporate transaction costs [(7)]	0.2	(0.1)	0.8	0.4
Adjusted EBITDA [(9)]	**$ 80.0**	**$ 88.0**	**$ 36.0**	**$ 355.5**
Adjusted EBITDA margin [(9)]	**32%**	**37%**	**20%**	**37%**
Operating Data:				
Average marketable rigs [(10)]	36.0	35.2	34.0	35.2
Average dayrate (in thousands) [(11)]	$ 81.7	$ 80.2	$ 69.7	$ 79.6
Effective utilization [(12)]	86%	85%	75%	86%
Capital expenditures and deferred costs:				
Regulatory and capital maintenance [(13)]	$ 29.8	$ 27.0	$ 27.2	$ 92.0
Contract preparation [(14)]	13.7	7.0	26.8	63.8
Marketable rigs	43.5	34.0	54.0	155.8
Fleet spares, transition costs and others [(15)]	5.0	12.8	5.6	30.1
Sub-Total (excluding acquisitions)	48.5	46.8	59.6	185.9
Rig acquisitions [(16)]	—	0.8	22.9	5.9
Capital expenditures and deferred costs	**$ 48.5**	**$ 47.6**	**$ 82.5**	**$ 191.8**

The following table reconciles the cash payment for additions to property and equipment and changes in deferred costs, net to total capital expenditures and deferred costs:

Cash payments for additions to property and equipment	$ 20.4	$ 17.5	$ 19.4	$ 104.1
Net change in advances and accrued but unpaid additions to property and equipment	0.6	3.0	24.2	(29.4)
Capital expenditures	**21.0**	**20.5**	**43.6**	**74.7**
Changes in deferred costs, net	7.9	9.2	26.9	48.0
Add: Amortization of deferred costs	19.6	17.9	12.0	69.1
Deferred costs	**27.5**	**27.1**	**38.9**	**117.1**
Capital expenditures and deferred costs	**$ 48.5**	**$ 47.6**	**$ 82.5**	**$ 191.8**

(In US$ millions, except rig numbers, average dayrate and effective utilization)

(percentages and figures may include rounding differences)

GAAP and Non-GAAP Financial Measures

The above Financial Report reflects certain US generally accepted accounting principles ("GAAP") and non-GAAP financial measures to evaluate the performance of our business. We believe the non-GAAP financial measures we use are useful in assessing our historical and future performance throughout the commodity price cycles that have characterized our industry since our inception.

(1) "Adjusted Revenues" as used herein is defined as 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.

(2) "Amortization of intangible liability" is defined as the amortization of the intangible liability related to existing drilling contracts for future contract drilling services in connection with the acquisition of five jack-up rigs from Noble. The terms of these contracts included fixed dayrates that were below the market dayrates that were estimated to be available for similar contracts as of the date of the acquisition of five jack-up rigs from Noble. This amortization is recorded in the operating revenues line item in the consolidated statements of operations.

(3) ''Revenues'' includes all revenues earned over the period including: (a) integrated drilling service contract dayrates, (b) other operating revenues such as mobilization and contract preparation fees amortized over the firm contract term, demobilization, contract termination fees, contractual operational incentive bonus and revenue provisions and (c) others which mainly include recharge revenue for client requested services and materials and (d) amortization of intangible liability.

(4) "Operating and maintenance expenses" consist of Rig "Personnel expenses", "Maintenance expenses", "Other operating expenses" and shore-based offices expenses. "Personnel expenses" include compensation, transportation, training and catering costs for rig crews. Such expenses vary from country to country reflecting the combination of expatriates and nationals, local market rates, unionized trade arrangements, local law requirements regarding social security, payroll charges and end of service benefit payments. "Maintenance expenses" relate to maintaining our rigs in operation, including the associated freight and customs duties, which are not capitalized nor deferred. Such expenses do not directly extend the rig life or increase the functionality of the rig. "Other operating expenses" include all remaining operating expenses such as insurance, professional services, equipment rental and other miscellaneous costs.

(5) "Corporate G&A" as used herein includes general & administrative expenses, excluding the (reversal of provision for) / provision for credit losses, net, share-based compensation expense and certain one-time expenses related to cost saving and restructuring measures, third-party professional services and certain costs related to acquisitions.

(6) "Share-based compensation expense, net of forfeitures" is recognized as general and administrative expense in the consolidated statements of operations under GAAP.

(7) "One-time corporate transaction costs" represents certain one-time expenses related to cost saving and restructuring measures, third-party professional services and certain costs related to acquisitions.

(8) "Other, net (income) expense" as used herein is composed primarily of currency exchange loss / (gain), tax indemnities and certain vendor discounts.

(9) ''EBITDA'' as used herein represents revenue less: operating and maintenance expenses, Corporate G&A, (reversal of) / provision for credit losses, share-based compensation expense, net of forfeitures and other, net, and excludes amortization of intangible liability, interest expense and financing charges, interest income, income taxes, depreciation, amortization, loss on impairment of assets and (gain) / loss on disposal of assets. ''Adjusted EBITDA'' as used herein represents EBITDA as adjusted for the exclusion of amortization of acquired rig reactivation costs and one-time corporate transaction costs. "Adjusted EBITDA margin" as used herein represents Adjusted EBITDA divided by adjusted revenues. 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 GAAP. 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 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 expense and financing charges, interest income, income tax expense (benefit), depreciation, amortization and 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 Adjusted Revenues, 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.

(10) ''Marketable rigs'' are defined as the total number of rigs that are operating or are available to operate, but excluding stacked rigs and rigs under contract for activities other than drilling or plug and abandonment services, as applicable.

(11) ''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.

(12) ''Effective utilization'' is defined as the actual 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.

(13) "Regulatory and capital maintenance" includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures.

(14) "Contract preparation" includes specific upgrade, mobilization and preparation costs associated with a customer contract.

(15) "Fleet Spares, transition costs and others" includes: (i) acquisition and certification costs for the rig fleet spares pool which is allocated to specific rig expenditure 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 acquired rigs in 2022 and (iii) office and infrastructure expenditures.

(16) "Rig acquisitions" primarily includes capital expenditures and deferred costs associated with the rig readiness project for the Shelf Drilling Victory acquired in July 2022.