PRESS RELEASE
SHELF DRILLING
REPORTS SECOND QUARTER 2024 RESULTS

Dubai, UAE, August 14, 2024 – Shelf Drilling, Ltd. (“Shelf Drilling”, “SDL” and, together with its subsidiaries, the “Company”, OSE: SHLF) announces results for the second quarter of 2024 ended June 30. The results highlights will be presented by audio conference call on August 15, 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 August 6, 2024 and on page 3 of this release.

David Mullen, Chief Executive Officer, commented: *“Since the beginning of the year, we have continued to deliver safe and efficient operations for our customers with a year-to-date TRIR of 0.10 and uptime performance of 99.4%. Our results in the second quarter of 2024 were impacted by lower utilization in Saudi Arabia with the suspension of four of our rigs and the delayed start-up for the Shelf Drilling Barsk, partially offset by our efforts to reduce operating costs.”*

Mullen added: *“Following the announcement of contract suspensions in early April, we immediately initiated marketing efforts and commenced mobilization of two rigs to West Africa shortly after, with both rigs expected to commence new contracts before the end of 2024. We were disappointed with the delayed regulatory approval for the Shelf Drilling Barsk in Norway, however, we are confident that we will complete this process and commence the rig’s contract in the fourth quarter of 2024. The pending sale of the Baltic standard jack-up rig is a significant positive for the company, representing a favorable asset value and indirectly creating contract opportunities in that region for other rigs in our fleet with near-term availability.”*

Mullen concluded: *“As announced in February 2024, I will now step down as Chief Executive Officer and move into my new role as Executive Chairman. I am excited about what lies ahead for the company with Greg O’Brien as CEO, and I look forward to continued success for Shelf Drilling.”*

Second Quarter Highlights

- Q2 2024 adjusted revenues of $230.8 million.
- Q2 2024 adjusted EBITDA of $71.5 million, representing an adjusted EBITDA margin of 31%, including $(14.0) million adjusted EBITDA from Shelf Drilling (North Sea), Ltd. ("SDNS") and $85.5 million from the rest of the business.
- Q2 2024 net loss attributable to controlling interest of $14.6 million.
- Q2 2024 capital expenditures and deferred costs totaled $38.0 million, including $16.3 million at SDNS.
- The Company’s cash and cash equivalents balance at June 30, 2024 was $138.3 million, including $37.2 million at SDNS. Cash and cash equivalents, excluding SDNS, increased from $88.0 million at March 31, 2024 to $101.1 million at June 30, 2024.
- Contract backlog of $2.1 billion at June 30, 2024 across 33 contracted rigs with weighted average dayrate of $88.6 thousand.
- In June 2024, the Company announced a delay in commencement of the contract for the Shelf Drilling Barsk due to ongoing efforts to obtain regulatory approvals in Norway. The contract is now expected to commence in Q4 2024.
- In June 2024, the Company secured a 15-month contract extension for the Shelf Drilling Tenacious in direct continuation of its current contract in West Africa.
- In July 2024, the Company secured a 17-month contract extension for the Shelf Drilling Winner in direct continuation of its current contract in Denmark, extending the firm commitment period for the rig to August 2026.
- In July 2024, a subsidiary of the Company executed an agreement for the sale of the Baltic rig for $60.0 million. The transaction is expected to close in the third quarter of 2024.
- The Main Pass IV and Shelf Drilling Achiever are currently being mobilized to West Africa and are expected to commence new contracts in the fourth quarter of 2024.
- Financial guidance for the full year 2024 revised; details are included in the "2024 Financial Guidance" section of the Q2 2024 results highlights presentation on our website.

Second Quarter Results

Adjusted revenues were $230.8 million in Q2 2024 compared to $251.5 million in Q1 2024. The $20.7 million (8%) sequential decrease in adjusted revenues was due to lower effective utilization across the fleet, primarily impacted by the suspension of four rigs in Saudi Arabia in Q2 2024.

Effective utilization decreased to 80% in Q2 2024 from 86% in Q1 2024, primarily due to the suspension of operations for four rigs in Saudi Arabia, one rig in West Africa which suffered structural leg damage and the contract completion for one rig in Egypt in February 2024. This was partially offset by two rigs in Nigeria and India that had a full quarter of operations in Q2 2024. Average earned dayrate marginally increased to $82.0 thousand in Q2 2024 from $81.7 thousand in Q1 2024.

Total operating and maintenance expenses decreased by $7.7 million (5%) in Q2 2024 to $141.8 million compared to $149.5 million in Q1 2024. The sequential decrease was primarily due to lower operating costs for two suspended rigs in Saudi Arabia, one rig in India that completed planned shipyard in Q1 2024 and one rig in Egypt which completed its contract in February 2024, as well as costs savings across the fleet, including lower maintenance costs for certain rigs in India and Saudi Arabia. This was partially offset by higher shipyard costs for one rig in Vietnam that commenced operations in Q3 2024 and higher mobilization costs for two suspended rigs in Saudi Arabia that commenced mobilization to West Africa.

General and administrative expenses decreased by $1.8 million in Q2 2024 to $16.2 million as compared to $18.0 million in Q1 2024. The sequential decrease primarily resulted from a decrease in provision for credit losses in Q2 2024 and lower professional fees.

Adjusted EBITDA for Q2 2024 was $71.5 million compared to $80.0 million for Q1 2024. The adjusted EBITDA margin of 31% for Q2 2024 declined as compared to 32% in Q1 2024.

Capital expenditures and deferred costs of $38.0 million in Q2 2024 decreased by $10.5 million from $48.5 million in Q1 2024. This sequential decrease was primarily related to lower spending on one rig in Saudi Arabia and one rig in India which returned to operations or commenced new contract in Q1 2024 and lower expenditures for one rig in Saudi Arabia for which operations were suspended in Q2 2024. This was partially offset by higher contract preparation expenditures for one rig in Norway which is expected to commence contract in Q4 2024.

Q2 2024 ending cash and cash equivalents balance of $138.3 million increased by $36.7 million from $101.6 million at the end of Q1 2024 essentially due to the successful completion of the SDNS debt refinancing transaction. The Q2 2024 ending cash and cash equivalents balance for SDNS was $37.2 million, up from $13.6 million at the end of Q1 2024. The cash and cash equivalents balance for SDL excluding SDNS increased from $88.0 million to $101.1 million during Q2 2024.

The Form 10-Q Equivalent, which includes the Condensed Consolidated Financial Statements, and a corresponding slide presentation to address the results highlights for Q2 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/BIaa7df96c5aae41f2b35482c5158e2950

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 June 30, 2024

	Three months ended		Six months ended		Twelve months ended
	June 30, 2024	March 31, 2024	June 30, 2024	June 30, 2023	June 30, 2024
Operating revenues – dayrate	$ 212.3	$ 231.5	$ 443.8	$ 354.2	$ 899.4
Operating revenues – others	11.3	12.3	23.6	7.7	45.8
Other revenues	7.2	7.7	14.9	28.9	40.1
Adjusted revenues [1]	**230.8**	**251.5**	**482.3**	**390.8**	**985.3**
Amortization of intangible liability [2]	3.2	3.2	6.4	6.8	13.8
Revenues [3]	**234.0**	**254.7**	**488.7**	**397.6**	**999.1**
Rig operating expenses	129.4	136.3	265.7	224.4	505.3
Shore-based expenses	12.4	13.2	25.6	24.7	49.8
Operating and maintenance expenses [4]	**141.8**	**149.5**	**291.3**	**249.1**	**555.1**
Corporate G&A [5]	15.3	15.8	31.1	28.6	58.7
(Reversal of provision for) / provision for credit losses, net	(0.4)	1.0	0.6	(0.4)	5.7
Share-based compensation expense, net of forfeitures [6]	1.3	1.0	2.3	1.2	3.5
One-time corporate transaction costs [7]	—	0.2	0.2	1.1	0.1
General & administrative expenses	**16.2**	**18.0**	**34.2**	**30.5**	**68.0**
Other, net expense / (income) [8]	1.3	4.2	5.5	3.6	8.0
EBITDA [9]	**71.5**	**79.8**	**151.3**	**107.6**	**354.2**
One-time corporate transaction costs [7]	—	0.2	0.2	1.1	0.1
Adjusted EBITDA [9]	**$ 71.5**	**$ 80.0**	**$ 151.5**	**$ 108.7**	**$ 354.3**
Adjusted EBITDA margin [9]	**31%**	**32%**	**31%**	**28%**	**36%**
Operating Data:					
Average marketable rigs [10]	35.4	36.0	35.7	34.4	35.4
Average dayrate (in thousands) [11]	$ 82.0	$ 81.7	$ 81.9	$ 72.3	$ 81.3
Effective utilization [12]	80%	86%	83%	79%	85%
Capital expenditures and deferred costs:					
Regulatory and capital maintenance [13]	$ 11.7	$ 29.8	$ 41.5	$ 48.5	$ 82.4
Contract preparation [14]	14.0	13.7	27.7	58.8	45.8
Marketable rigs	25.7	43.5	69.2	107.3	128.2
Fleet spares, transition costs and others [15]	12.3	5.0	17.3	9.3	38.7
Sub-Total (excluding acquisitions)	38.0	48.5	86.5	116.6	166.9
Rig acquisitions [16]	—	—	—	26.8	2.0
Capital expenditures and deferred costs	**$ 38.0**	**$ 48.5**	**$ 86.5**	**$ 143.4**	**$ 168.9**

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	$ 13.2	$ 20.4	$ 33.6	$ 65.2	$ 71.5
Net change in advances and accrued but unpaid additions to property and equipment	0.9	0.6	1.5	(2.1)	(2.2)
Capital expenditures	**14.1**	**21.0**	**35.1**	**63.1**	**69.3**
Changes in deferred costs, net	(2.1)	7.9	5.8	55.0	17.8
Add: Amortization of deferred costs	26.0	19.6	45.6	25.3	81.8
Deferred costs	**23.9**	**27.5**	**51.4**	**80.3**	**99.6**
Capital expenditures and deferred costs	**$ 38.0**	**$ 48.5**	**$ 86.5**	**$ 143.4**	**$ 168.9**

(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 rigs under third party bareboat charter agreements, 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.