

**PRESS RELEASE**  
**SHELF DRILLING**  
**REPORTS THIRD QUARTER 2019 RESULTS**

Dubai, UAE, November 13, 2019 – Shelf Drilling, Ltd. (“Shelf Drilling” and, together with its subsidiaries, the “Company”, OSE: SHLF) announces results for the third quarter of 2019 ending September 30. The results highlights will be presented by audio conference call on November 13, 2019 at 6:00 pm Dubai time / 3:00 pm Oslo time. Dial-in details for the call are included in the press release posted on November 5, 2019.

David Mullen, Chief Executive Officer, commented: *“We had an outstanding operating and safety performance across our fleet and continue to demonstrate our ability to meet and exceed our customers’ expectations. Since the beginning of the third quarter, we have added \$433 million of contract backlog for a total of 22.5 rig years. During Q2 and Q3 2019, we have incurred significant contract preparation and reactivation costs in advance of long-term contracts which will yield positive cash flow and returns once rigs enter service beginning in Q4 2019. With 31 of our 34 rigs under contract, our strong customer relationships and a differentiated operating track record, we are very well positioned as the jack-up market continues to recover.”*

### **Third Quarter Highlights**

- Q3 2019 Revenue of \$132.0 million and Adjusted EBITDA of \$32.0 million. Adjusted EBITDA margin was 24%.
- Q3 2019 Net loss of \$35.9 million.
- Q3 2019 Capital Expenditures and Deferred Costs totaled \$64.2 million, including \$33.2 million associated with rig acquisitions. Spending associated with existing operations was \$31.0 million.
- The Company’s cash and cash equivalents balance at September 30, 2019 was \$45.7 million.
- The Company’s total debt at September 30, 2019 was \$909.1 million, including \$20 million draw-down on the Company revolving credit facility in Q3 2019.
- \$977 million in contract backlog at September 30, 2019 across 29 contracted rigs, up from \$846 million and 25 contracted rigs at June 30, 2019. The company added \$282 million through new contracts and extensions during Q3 2019.
- In September 2019, the Company’s Board of Directors approved a share repurchase program under which the Company may repurchase up to an aggregate of \$25 million of the Company’s common shares over a period of two years. During Q3 2019, the Company repurchased approximately 285,000 shares at an average price of \$2.45 per share.
- Subsequent to September 30, 2019, the Company added \$151 million in contract awards, increasing the number of contracted rigs from 29 to 31.
  - In October 2019, the Company secured four-month extensions for the High Island II, High Island IV, Main Pass I and Main Pass IV jack-ups in continuation of their existing contracts in Saudi Arabia.
  - In October 2019, the Company secured a three-year contract extension on the High Island VII jack-up rig in direct continuation of its current contract for drilling operations in the United Arab Emirates.
  - In October 2019, the Company received an award for a three-year contract for the Trident II jack-up rig for operations in India.
  - In October 2019, the Company secured a six months extension on the Rig 141 jack-up rig in direct continuation of its current contract for drilling operations in Egypt.
  - In October 2019, the Company secured a one-well contract on the Baltic jack-up rig for operations in Nigeria.
- Q4 2019 Revenue guidance range of \$156 million – \$161 million, up from \$132 million in Q3 2019

### **Third Quarter Results**

Revenue was \$132.0 million in Q3 2019 compared to \$137.1 million in Q2 2019. The \$5.1 million (3.7%) decrease in revenue was largely due to the completion of three contracts during Q2 and Q3 2019 in India and Nigeria and planned out of service time for two rigs in Nigeria and one rig in Saudi Arabia. This was partly offset by the startup of three new contracts in India, UAE and Tunisia as well as by higher uptime and revenue efficiency across the fleet.

Total operating and maintenance expenses of \$91.4 million in Q3 2019 is largely comparable with Q2 2019 of \$90.9 million. An increase in operating expenses in Nigeria and India (contract preparation expenses for five rigs commencing new contracts in Q4 2019 and planned out of service time on two rigs in Nigeria) was partially offset by a reduction across the rest of the fleet.

General and administrative expenses were \$12.8 million in Q3 2019 compared to \$12.0 million in Q2 2019, primarily due to an increase in share-based compensation expense and increased support for deployments of recently acquired newbuild rigs.

Adjusted EBITDA for Q3 2019 was \$32.0 million compared to \$40.4 million for Q2 2019. The Adjusted EBITDA margin for Q3 2019 was 24% compared to 29% in Q2 2019.

Capital expenditures and deferred costs of \$64.2 million in Q3 2019 decreased by \$99.0 million from \$163.2 million in Q2 2019. This included \$33.2 million in Q3 2019 relating to the reactivation and operations readiness projects on the acquired rigs, compared to \$121.8 million in Q2 2019 for the non-cash acquisition of the Shelf Drilling Achiever and Shelf Drilling Journey and \$15.6 million in Q2 2019 relating to the reactivation and operations readiness projects on the acquired rigs.

Capital expenditures and deferred costs excluding rig acquisitions increased to \$31.0 million in Q3 2019 from \$25.8 million in Q2 2019 mainly due to a higher level of spending associated with a planned out of service project for a rig under contract in Saudi Arabia and higher contract preparation costs in Q3 2019 in India. The contract preparation project for a rig in Tunisia was also completed in Q3 2019.

The Condensed Consolidated Interim Financial Statements and the Board of Directors report are available in the interim report on our website. A corresponding slide presentation to address the results highlights for Q3 2019 is also available on the Company website.

#### **For further queries, please contact:**

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#### **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 and the Mediterranean. 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 are 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, you should not place undue reliance on the forward-looking statements.

Additional information about Shelf Drilling can be found at [www.shelfdrilling.com](http://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 September 30, 2019

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,
	2018	2019	2018	2019	2019
Operating revenues - dayrate	\$151.8	\$125.2	\$435.7	\$397.5	\$543.6
Operating revenues - others	4.4	3.8	14.2	8.3	11.3
Other revenues	4.0	3.0	10.3	10.5	14.5
Total revenue (1)	\$160.2	\$132.0	\$460.3	\$416.3	\$569.4
Rig operating expenses	\$77.7	\$82.1	\$238.2	\$247.9	\$333.4
Shore-based expenses	8.4	9.3	25.4	26.7	35.7
Total operating and maintenance expenses (2)	\$86.1	\$91.4	\$263.6	\$274.6	\$369.1
Corporate G&A (3)	\$11.3	\$12.2	\$33.3	\$35.5	\$45.9
Provision / (reversal) for doubtful accounts	(0.3)	0.0	(0.3)	(0.1)	(0.1)
Sponsors' fee (4)	0.0	0.0	2.3	0.0	0.0
Share-based compensation expense, net of forfeitures (5)	0.0	0.6	11.3	0.9	0.9
One-time corporate transaction costs (6)	0.1	0.0	4.0	0.0	0.1
Total general & administrative expenses	\$11.1	\$12.8	\$50.5	\$36.3	\$46.8
Other, net expense / (gain) (7)	0.2	(0.1)	(0.7)	0.4	0.7
EBITDA (8)	\$62.9	\$27.9	\$146.9	\$105.0	\$152.8
Sponsors' fee	0.0	0.0	2.3	0.0	0.0
Share-based compensation expense, net of forfeitures	0.0	0.0	11.3	0.0	0.0
Acquired rig reactivation costs (9)	1.2	4.1	3.3	16.7	18.4
One-time corporate transaction costs	0.1	0.0	4.0	0.1	0.1
Other (10)	0.0	0.0	0.4	0.0	0.0
Total adjustments	1.3	4.1	21.3	16.8	18.5
Adjusted EBITDA (8)	\$64.2	\$32.0	\$168.2	\$121.8	\$171.3
Adjusted EBITDA margin	40%	24%	37%	29%	30%

#### Operating Data:

Average marketable rigs (11)	35.1	32.3	35.0	32.8	33.6
Average dayrate (in thousands) (12)	\$67.5	\$64.7	\$68.4	\$64.8	\$64.8
Effective utilization (13)	70%	65%	67%	69%	68%

#### Capital expenditures and deferred costs :

Regulatory and capital maintenance (14)	\$11.2	\$15.2	\$32.3	\$43.2	\$55.5
Contract preparation (15)	2.9	10.9	15.3	28.6	37.3
Marketable rigs	\$14.1	\$26.1	\$47.6	\$71.8	\$92.8
Fleet spares and others (16)	3.9	4.9	8.0	6.9	11.0
Sub-Total (excluding Acquisitions)	\$18.0	\$31.0	\$55.6	\$78.7	\$103.8
Rig acquisitions (17)	74.5	33.2	83.0	175.6	180.2
Total capital expenditures and deferred costs	\$92.5	\$64.2	\$138.6	\$254.3	\$284.0

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	\$76.4	\$29.6	\$90.6	\$53.9	\$62.3
Net change in accrued but unpaid additions to property and equipment	1.7	7.2	(2.4)	135.5	13.0
	\$78.1	\$36.8	\$88.2	\$189.4	\$75.3
Add: Asset additions related to share issuance	0.0	0.0	0.0	\$0.0	121.8
Total Capital expenditures	\$78.1	\$36.8	\$88.2	\$189.4	\$197.1
Changes in deferred costs, net	(\$9.2)	\$7.6	(\$13.5)	\$7.8	\$10.9
Add: Amortization of deferred costs	23.6	19.8	64.0	57.1	76.0
Total deferred costs	\$14.4	\$27.4	\$50.5	\$64.9	\$86.9
Total capital expenditures and deferred costs	\$92.5	\$64.2	\$138.6	\$254.3	\$284.0

( In US\$ millions, except rig numbers, average dayrate and effective utilization )  
( percentages and figures may include rounding differences )

## Non-US GAAP Financial Measures

The above Financial Report reflects certain US generally accepted accounting principles ("US GAAP") and non-US GAAP financial measures to evaluate the performance of our business. We believe the non-US 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) "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.

(2) "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.

(3) "Corporate G&A" as used herein include corporate general & administrative expenses, excluding the share-based compensation expense, the Sponsors' fee, one-time corporate transaction costs and provision/(release) for doubtful accounts.

(4) "Sponsors' fee" represents the fixed annual fees payable to the Sponsors under a Management Agreement as a privately held company for providing business, organizational, strategic, financial and other advisory services.

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

(6) "One-time corporate transaction costs" represent certain one-off corporate transaction costs

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

(8) "EBITDA" as used herein represents revenue less: operating and maintenance expenses, Corporate G&A, provision for doubtful accounts, sponsors' fee, share-based compensation expense, net of forfeitures, and other, net expense/(gain), and excludes interest, income taxes, depreciation and amortization. "Adjusted EBITDA" as used herein represents EBITDA as adjusted for the exclusion of transaction costs, share-based compensation expense, net of forfeitures, sponsor's fee, acquired rig reactivation costs and, in certain periods, other specific items. 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 US 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 US GAAP.

We believe that 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, income tax expense (benefit), depreciation and 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 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.

(9) "Acquired rig reactivation costs" represent the expenditures accounted for as operating expenses in accordance with US GAAP, which were incurred in connection with the reactivation of stacked or idle rigs acquired with the specific intention to reactivate and deploy.

(10) "Other" are defined as any other extraordinary, non-recurring or unusual gains or losses.

(11) "Marketable rigs" are defined as the total number of rigs that are operating or are available to operate, which excludes stacked rigs, rigs undergoing reactivation projects, rigs under non-drilling contracts and newbuild rigs under construction.

(12) "Average dayrate" is defined as the average contract dayrate earned by marketable rigs over the reporting period excluding amortization of lump sum mobilization fees, contract preparation and capital expenditure reimbursements, recharges, bonuses and other revenue.

(13) "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 same rigs could have generated dayrate revenues.

(14) "Regulatory and capital maintenance" includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures on rigs in operation.

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

(16) "Fleet Spares and Others" include: (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 and (ii) office and infrastructure expenditure.

(17) "Rig acquisitions" include all capital expenditures and deferred costs associated with the acquisition and reactivation of premium jack-up rigs in 2017 and 2018, and with the acquisition and readiness costs of newbuild premium jack-up rigs acquired in 2019.