

PRESS RELEASE
SHELF DRILLING
REPORTS FOURTH QUARTER 2019 RESULTS

Dubai, UAE, March 2, 2020 – Shelf Drilling, Ltd. (“Shelf Drilling” and, together with its subsidiaries, the “Company”, OSE: SHLF) announces results for the fourth quarter and full year of 2019 ending December 31. The results highlights will be presented by audio conference call on March 2, 2020 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 February 18, 2020.

David Mullen, Chief Executive Officer, commented: *“In 2019, the Company achieved its best ever safety and operating results, further improving our long-term track record and delivering on our commitment to our customers. As anticipated in the previous quarter, we realized a significant increase in sequential revenue of 21%, attributable to the start-up of seven new contracts across all our geographies, and a high level of fall through to EBITDA.”*

Mullen added: *“The jack-up market continues to recover from cyclical lows as demonstrated by our leading performance in securing new contracts and extensions. In the fourth quarter, we more than doubled our backlog to \$2.0 billion through awards equating to approximately 45 rig-years resulting in a book-to-bill of 2.8 times for the full year 2019. At year-end, 31 of our 32 jack-ups were contracted for a utilization level of 97%. We further expanded our premium jack-up fleet with the acquisition in January 2020 of the Shelf Drilling Enterprise, which was immediately contracted for a 21-month initial term. We remain focused on delivering safe and reliable services to our customers and believe our recent backlog additions position us well to generate improving financial results in 2020.”*

Fourth Quarter Highlights

- Q4 2019 Revenue of \$159.8 million, a 21% sequential increase compared to Q3 2019.
- Q4 2019 Adjusted EBITDA of \$55.7 million, representing a margin of 35%.
- Full Year 2019 Revenue of \$576.2 million and Adjusted EBITDA of \$177.5 million. Adjusted EBITDA margin was 31%.
- Q4 2019 Net loss of \$70.3 million. Full Year 2019 Net loss of \$149.5 million.
- In Q4 2019, the Company recorded a non-cash impairment charge of \$58.0 million on long-lived assets, mainly five stacked rigs that have been inactive for two years or more.
- Q4 2019 Capital Expenditures and Deferred Costs totaled \$45.8 million. Full Year 2019 Capital Expenditures and Deferred Costs were \$300.1 million, including \$203.2 million associated with rig acquisitions.
- The Company’s cash and cash equivalents balance at December 31, 2019 was \$26.1 million.
- The Company’s total debt at December 31, 2019 was \$924.5 million, including \$35.0 million drawn on the Company’s revolving credit facility.
- A total of seven new contracts commenced in Q4 2019. This included the Shelf Drilling Scepter and the Shelf Drilling Achiever, which completed their contract preparation and started new contracts in December 2019 in Thailand and Saudi Arabia, respectively.
- \$2.0 billion in contract backlog at December 31, 2019 across 31 contracted rigs, up from \$977 million and 29 contracted rigs at September 30, 2019. The company added \$1.2 billion of total awards during Q4 2019.
 - Long-term extensions on four jack-up rigs in direct continuation of their respective current contracts in Saudi Arabia. The High Island II, High Island IV and Main Pass I rigs were each awarded a 10-year extension, while the Main Pass IV rig was awarded a 5-year extension.
 - An award for a three-year contract for the Trident II jack-up rig for operations in India.
 - 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.
 - A six months extension on the Rig 141 jack-up rig in direct continuation of its current contract for operations in Egypt.
 - A one-well contract on the Baltic jack-up rig for operations in Nigeria.

- A one-year extension on the Trident XIV jack-up rig in direct continuation of its current contract for workover operations offshore Nigeria.
- In December 2019, the Company entered into an agreement with a subsidiary of Maersk Drilling to purchase the Maersk Completer premium jack-up drilling rig for a purchase price of \$38 million. The purchase and acceptance of the rig was completed on January 7, 2020 and the rig was renamed Shelf Drilling Enterprise. Later in January 2020, the Company secured a 21-month contract, with a total value of \$59 million, expected to commence in August 2020 for operations in the Gulf of Thailand. Including the purchase price, subsequent reactivation and contract-specific upgrades, the estimated all-in delivered cost of the rig is \$81 million.
- In February 2020, the Company completed a private offering of \$80 million aggregate principal amount of 8.750% senior secured notes due 2024, the proceeds of which will be used to finance the acquisition and deployment costs associated with the Shelf Drilling Enterprise.
- Q1 2020 Revenue guidance of \$173 to \$181 million up from \$159.8 million in Q4 2019.

Fourth Quarter Results

Revenue was \$159.8 million in Q4 2019 compared to \$132.0 million in Q3 2019. The \$27.8 million (21.1%) increase in revenue was largely due to the start-up of seven new contracts in India, Nigeria, Saudi Arabia and Thailand, the return to operations of two rigs in Nigeria and one rig in Saudi Arabia after completing planned out of service time during Q3 and the full quarter of operations of one rig in Tunisia which started its contract at the end of Q3 2019. Effective utilization increased to 80% in Q4 2019 from 65% in Q3 2019.

Total operating and maintenance expenses of \$92.1 million in Q4 2019 were largely comparable with Q3 2019 of \$91.4 million. An increase in operating expenses in India for the contract preparation of one rig expected to commence a three-year contract in Q2 2020 was partly offset by a decrease in operating expenses in Nigeria and Saudi Arabia as a result of the completion of contract preparation on one rig in Saudi Arabia and planned out of service time on two rigs in Nigeria.

General and administrative expenses were \$14.4 million in Q4 2019 compared to \$12.8 million in Q3 2019.

Adjusted EBITDA for Q4 2019 was \$55.7 million compared to \$32.0 million for Q3 2019. The Adjusted EBITDA margin for Q4 2019 was 35% compared to 24% in Q3 2019.

The Company performed impairment testing at the end of Q4 2019, and as a result, a \$58.0 million loss on impairment of long-lived assets was recorded in December 2019. Eight of the Company's rigs were impaired, of which three stacked rigs were reported as held for sale.

Capital expenditures and deferred costs of \$45.8 million in Q4 2019 decreased by \$18.4 million from \$64.2 million in Q3 2019. This included \$27.7 million in Q4 2019 relating to the reactivation and operation readiness projects on the acquired rigs, compared to \$33.2 million in Q3 2019. Capital expenditures and deferred costs excluding rig acquisitions decreased to \$18.1 million in Q4 2019 from \$31.0 million in Q3 2019 mainly due to a higher level of spending in Q3 2019 associated with a planned out of service project for a rig under contract in Saudi Arabia and a contract preparation project for a rig in Tunisia, both of which were completed in Q3 2019.

Q4 2019 ending cash balance of \$26.1 million decreased by \$19.6 million from \$45.7 million at the end of Q3 2019. This included a further drawdown of \$15.0 million in Q4 2019 on the Company's revolving credit facility. The decrease in cash and additional drawdown on the Company's revolving credit facility was mainly due to outflows related to the deployment costs of the acquired rigs (Shelf Drilling Scepter, Shelf Drilling Achiever and Shelf Drilling Journey).

The Consolidated Financial Statements and the Form 10-K equivalent are available on our website. A corresponding slide presentation to address the results highlights for Q4 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 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, you 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 December 31, 2019

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2018	2019	2018	2019
Operating revenues - dayrate	\$146.1	\$152.8	\$581.8	\$550.4
Operating revenues - others	3.0	2.7	17.2	10.9
Other revenues	4.0	4.3	14.3	14.9
Total revenues (1)	\$153.1	\$159.8	\$613.3	\$576.2
Rig operating expenses	\$85.5	\$81.7	\$323.6	\$329.6
Shore-based expenses	9.0	10.4	34.4	37.1
Total operating and maintenance expenses (2)	\$94.5	\$92.1	\$358.0	\$366.7
Corporate G&A (3)	\$10.5	\$13.8	\$43.8	\$49.3
Provision / (reversal) for doubtful accounts	0.0	0.0	(0.3)	(0.1)
Sponsors' fee (4)	0.0	0.0	2.3	0.0
Share-based compensation expense, net of forfeitures (5)	0.0	0.6	11.3	1.5
One-time corporate transaction costs (6)	0.0	0.0	4.0	0.1
Total general & administrative expenses	\$10.5	\$14.4	\$61.1	\$50.8
Other, net expense / (gain) (7)	0.4	0.4	(0.4)	0.8
EBITDA (8)	\$47.7	\$52.9	\$194.6	\$157.9
Sponsors' fee	0.0	0.0	2.3	0.0
Share-based compensation expense, net of forfeitures	0.0	0.0	11.3	0.0
Acquired rig reactivation costs (9)	1.8	2.8	5.1	19.5
One-time corporate transaction costs	0.0	0.0	4.0	0.1
Other (10)	0.0	0.0	0.4	0.0
Total adjustments	1.8	2.8	23.1	19.6
Adjusted EBITDA (8)	\$49.5	\$55.7	\$217.7	\$177.5
Adjusted EBITDA margin	32%	35%	35%	31%
Operating Data:				
Average marketable rigs (11)	36.0	32.3	35.3	32.6
Average dayrate (in thousands) (12)	\$64.9	\$64.6	\$67.4	\$64.7
Effective utilization (13)	68%	80%	67%	71%
Capital expenditures and deferred costs :				
Regulatory and capital maintenance (14)	\$12.3	\$13.0	\$44.6	\$56.1
Contract preparation (15)	8.7	1.5	24.0	30.2
Marketable rigs	\$21.0	\$14.5	\$68.6	\$86.3
Fleet spares and others (16)	4.0	3.6	12.0	10.6
Sub-Total (excluding Acquisitions)	\$25.0	\$18.1	\$80.6	\$96.9
Rig acquisitions (17)	4.6	27.7	87.7	203.2
Total capital expenditures and deferred costs	\$29.6	\$45.8	\$168.3	\$300.1

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	\$8.4	\$37.5	\$99.0	\$91.4
Net change in accrued but unpaid additions to property and equipment	(0.8)	(7.0)	(3.1)	6.7
	\$7.7	\$30.5	\$95.9	\$98.1
Add: Asset additions related to share issuance	0.0	0.0	0.0	\$121.8
Total Capital expenditures	\$7.7	\$30.5	\$95.9	\$219.9
Changes in deferred costs, net	\$3.1	(\$2.9)	(\$10.5)	\$4.9
Add: Amortization of deferred costs	18.9	18.2	82.9	75.3
Total deferred costs	\$22.0	\$15.3	\$72.4	\$80.2
Total capital expenditures and deferred costs	\$29.6	\$45.8	\$168.3	\$300.1

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

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) “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, which was payable prior to the Company’s June 25, 2018 initial public offering on the OSE.

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

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

(7) “Other, net expense / (gain)” as used herein is composed primarily of currency exchange loss / (gain), tax indemnities and certain 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, one-time corporate transaction costs and other, net expense/(gain), and excludes interest, income taxes, depreciation and 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 acquired rig reactivation costs, one-time corporate transaction costs, certain share-based compensation expense, net of forfeitures, Sponsor’s fee 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 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 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 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 non-contracted 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, capital expenditure reimbursements, demobilization, recharges, bonuses and other revenues.

(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.