PRESS RELEASE
SHELF DRILLING
REPORTS FOURTH QUARTER 2023 RESULTS

Dubai, UAE, March 4, 2024 – Shelf Drilling, Ltd. (“Shelf Drilling”, “SDL” and, together with its subsidiaries, the “Company”, OSE: SHLF) announces results for the fourth quarter and full year of 2023 ended December 31. The results highlights will be presented by audio conference call on March 4, 2024 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 27, 2024 and on page 3 of this release.

David Mullen, Chief Executive Officer, commented: *“The fourth quarter of 2023 concluded a very positive year for Shelf Drilling. We generated EBITDA of $88 million, bringing the full year total to $311 million, in line with the guidance we provided at the beginning of 2023. We delivered the best safety performance in our company’s history, and we completed our most intense period of major out of service projects, in aggregate on time and on budget. The execution of our refinancing transaction late in the year has resulted in a significantly improved capital structure with a clear runway until 2029.”*

Mullen added: *“Oil and gas consumption has reached record levels and is expected to increase for many years to come with shallow water activity in our markets playing a critical role. Global jack-up utilization has reached 94%, and dayrate momentum has accelerated over the past 18 months. There may possibly be some reduction in Saudi Arabia in the quarters ahead, but we expect incremental demand in other regions to sustain strong level of jack-up activity and utilization for the foreseeable future. As of December 31, 2023, our backlog was $2.3 billion, with 35 of our 36 rigs under contract, and we have a solid pipeline of new marketing opportunities for uncontracted days in 2024 and 2025. Our long-term track record of diligent cost management and financial discipline, combined with our operational execution capabilities and streamlined capital structure, will position Shelf Drilling very well to create long-term value for all our stakeholders*.”

Fourth Quarter Highlights

- Q4 2023 adjusted revenues of $238.8 million.
- Q4 2023 adjusted EBITDA of $88.0 million, representing an adjusted EBITDA margin of 37%, including $(3.0) million adjusted EBITDA from Shelf Drilling (North Sea), Ltd. ("SDNS").
- Full year 2023 adjusted revenues of $893.8 million, adjusted EBITDA of $311.5 million and adjusted EBITDA margin of 35%.
- Q4 2023 net loss attributable to controlling interest of $16.8 million. This includes $27.7 million loss on debt extinguishment related to our debt refinancing transaction in October 2023.
- FY 2023 capital expenditures and deferred costs totaled $225.8 million, including $11.5 million at SDNS.
- The Company’s cash and cash equivalents balance at December 31, 2023 was $98.2 million, including $27.7 million at SDNS.
- Contract backlog of $2.3 billion at December 31, 2023 across 35 contracted rigs with weighted average dayrate of $83.4 thousand.
- In December 2023, the Shelf Drilling Perseverance secured a new contract with PetroVietnam Domestic Exploration Production Operating Company Limited which is expected to start in Vietnam in July 2024 for a firm term of approximately 16 months.
- In February 2024, the Baltic secured a new contract expected to start in April 2024 in Nigeria for a firm term of approximately 70 days.
- On March 1, 2024, the Company executed an agreement related to the revolving credit facility that increases the total facility size from $125.0 million to $150.0 million.
- Financial guidance for full year 2024 is included in "2024 Financial Guidance" section of the Q4 2023 results highlights presentation on our website.

Fourth Quarter Results

Adjusted revenues were $238.8 million in Q4 2023 compared to $264.2 million in Q3 2023. The $25.4 million (10%) sequential decrease in revenues was primarily due to lower effective utilization across the fleet, as four fewer rigs were operating for the full quarter of Q4 2023, as well as a decline in other revenues as one rig in Norway completed its bareboat charter contract in Q4 2023.

Effective utilization decreased to 85% in Q4 2023 from 90% in Q3 2023, primarily due to the contract preparation project for one rig in India, the contract completion of one rig in West Africa in September 2023 and planned out of service for two rigs in Saudi Arabia, partially offset by the commencement of new contracts for three rigs in mid-Q3 2023 in West Africa, United Kingdom and Italy, and for one rig in India in Q4 2023. Average earned dayrate decreased to $80.2 thousand in Q4 2023 from $81.5 thousand in Q3 2023 mainly due to lower revenue contribution for two rigs in West Africa.

Total operating and maintenance expenses increased by $6.0 million (5%) in Q4 2023 to $134.9 million compared to $128.9 million in Q3 2023. The sequential increase was primarily due to higher shipyard costs for one rig in India ahead of its new contract commencement expected in March 2024, higher demobilization costs for two rigs in West Africa, one that completed its contract in September 2023 and one rig that commenced a new contract in October 2023, and higher demobilization and maintenance costs for one rig in Norway which completed its contract in Q4 2023. This was partially offset by lower maintenance costs for one rig in the United Kingdom that started a new contract in Q3 2023 and lower expenses for fleet spares.

General and administrative expenses decreased by $6.6 million in Q4 2023 to $13.6 million as compared to $20.2 million in Q3 2023. The sequential decrease was primarily due to the $5.7 million provision for credit losses recorded in Q3 2023, primarily at SDNS.

Adjusted EBITDA for Q4 2023 was $88.0 million compared to $114.8 million for Q3 2023. The adjusted EBITDA margin of 37% for Q4 2023 decreased from 43% in Q3 2023.

Capital expenditures and deferred costs of $47.6 million in Q4 2023 increased by $12.8 million from $34.8 million in Q3 2023. This increase was primarily related to higher spending for two rigs in Saudi Arabia undergoing out of service projects in Q4 2023, one rig in India preparing for a new contract and higher spending on fleet spares. This was partially offset by lower spending for one rig each in Italy and India which started their new contracts in Q3 2023 and early Q4 2023.

Q4 2023 ending cash and cash equivalents balance of $98.2 million decreased by $46.5 million from $144.7 million at the end of Q3 2023. The Q4 2023 ending cash and cash equivalents balance for SDNS was $27.7 million, leaving $70.5 million of cash and cash equivalents for SDL excluding SDNS. The decrease in cash and cash equivalents was primarily due to the successful completion of the comprehensive debt refinancing transaction and a sequential decrease in EBITDA, partially offset by a favorable impact from changes in net working capital.

The Form 10-K Equivalent, which includes the Consolidated Financial Statements, and a corresponding slide presentation to address the results highlights for Q4 2023 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/BI43ae74b1965c44669e3ce1b0d96e3ed9

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 December 31, 2023

	Three months ended		Twelve months ended	
	December 31, 2023	September 30, 2023	December 31, 2023	December 31, 2022
Operating revenues – dayrate	$ 220.4	$ 235.2	$ 809.8	$ 598.4
Operating revenues – others	11.5	10.7	29.9	56.1
Other revenues	6.9	18.3	54.1	33.1
Adjusted revenues [(1)]	**238.8**	**264.2**	**893.8**	**687.6**
Amortization of intangible liability [(2)]	3.2	4.2	14.2	7.6
Revenues [(3)]	**242.0**	**268.4**	**908.0**	**695.2**
Rig operating expenses	122.6	117.0	464.0	346.5
Shore-based expenses	12.3	11.9	48.9	39.2
Operating and maintenance expenses [(4)]	**134.9**	**128.9**	**512.9**	**385.7**
Corporate G&A [(5)]	13.7	13.9	56.2	51.6
(Reversal of provision for) / provision for credit losses, net	(0.6)	5.7	4.7	0.7
Share-based compensation expense, net of forfeitures [(6)]	0.6	0.6	2.4	2.6
One-time corporate transaction costs [(7)]	(0.1)	—	1.0	2.3
General & administrative expenses	**13.6**	**20.2**	**64.3**	**57.2**
Other, net (expense) / income [(8)]	(2.2)	(0.3)	(6.1)	1.6
EBITDA [(9)]	**88.1**	**114.8**	**310.5**	**246.3**
One-time corporate transaction costs [(7)]	(0.1)	—	1.0	2.3
Adjusted EBITDA [(9)]	**$ 88.0**	**$ 114.8**	**$ 311.5**	**$ 248.6**
Adjusted EBITDA margin [(9)]	**37%**	**43%**	**35%**	**36%**
Operating Data:				
Average marketable rigs [(10)]	35.2	35.0	34.7	31.0
Average dayrate (in thousands) [(11)]	$ 80.2	$ 81.5	$ 76.9	$ 63.4
Effective utilization [(12)]	85%	90%	83%	83%
Capital expenditures and deferred costs:				
Regulatory and capital maintenance [(13)]	$ 27.0	$ 13.9	$ 89.4	$ 66.1
Contract preparation [(14)]	7.0	11.1	76.9	32.7
Marketable rigs	34.0	25.0	166.3	98.8
Fleet spares, transition costs and others [(15)]	12.8	8.6	30.7	12.0
Sub-Total (excluding acquisitions)	46.8	33.6	197.0	110.8
Rig acquisitions [(16)]	0.8	1.2	28.8	476.4
Capital expenditures and deferred costs	**$ 47.6**	**$ 34.8**	**$ 225.8**	**$ 587.2**

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	$ 17.5	$ 20.4	$ 103.1	$ 453.7
Non-cash increase to fair value of rigs in the acquisition	—	—	—	42.7
Net change in advances and accrued but unpaid additions to property and equipment	3.0	(6.7)	(5.8)	15.2
Capital expenditures	**20.5**	**13.7**	**97.3**	**511.6**
Changes in deferred costs, net	9.2	2.8	67.0	11.3
Add: Amortization of deferred costs	17.9	18.3	61.5	64.3
Deferred costs	**27.1**	**21.1**	**128.5**	**75.6**
Capital expenditures and deferred costs	**$ 47.6**	**$ 34.8**	**$ 225.8**	**$ 587.2**

(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 recently acquired rigs and (iii) office and infrastructure expenditures.

(16) “Rig acquisitions” primarily includes capital expenditures and deferred costs associated with the acquisition of five jack-up rigs from Noble and the Shelf Drilling Victory acquisition and readiness projects.