Shelf Drilling, Ltd.

Form 10-Q Equivalent
for the three months ended March 31, 2025 and 2024

TABLE OF CONTENTS

SHELF DRILLING, LTD.
THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(UNAUDITED)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SHELF DRILLING, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three months ended March 31, 2025	Three months ended March 31, 2024
Revenues		
Operating revenues	$ 236.0	$ 247.0
Other revenues	9.7	7.7
	245.7	254.7
Operating costs and expenses		
Operating and maintenance	129.4	149.5
Depreciation	21.2	21.3
Amortization of deferred costs	20.2	19.6
General and administrative	16.8	18.0
(Gain) / loss on disposal of assets	(3.1)	1.0
	184.5	209.4
Operating income	61.2	45.3
Other expense / (income), net		
Interest income	(0.9)	(0.9)
Interest expense and financing charges	36.6	36.8
Other, net	0.3	4.2
	36.0	40.1
Income before income taxes	25.2	5.2
Income tax expense	11.5	9.0
Net income / (loss)	13.7	(3.8)
Net loss attributable to non-controlling interest	—	(8.2)
Net income attributable to controlling interest	$ 13.7	$ 4.4
Net income per common share - basic	$ 0.05	$ 0.02
Net income per common share - diluted	$ 0.05	$ 0.02
Weighted average common shares - basic	256.2	213.7
Weighted average common shares - diluted	260.6	225.3

See notes to the condensed consolidated financial statements.

SHELF DRILLING, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except per share data)
(Unaudited)

	March 31, 2025	December 31, 2024
Assets		
Cash and cash equivalents	$ 206.6	$ 152.3
Accounts and other receivables	225.7	231.3
Less: Allowance for credit losses	7.7	7.1
Accounts and other receivables, net	218.0	224.2
Assets held for sale	—	6.6
Other current assets	96.0	100.6
Total current assets	520.6	483.7
Property and equipment	2,135.6	2,129.2
Less: Accumulated depreciation	725.0	704.5
Property and equipment, net	1,410.6	1,424.7
Deferred tax assets	8.4	9.0
Other long-term assets	150.4	159.8
Total assets	$ 2,090.0	$ 2,077.2
Liabilities and equity		
Accounts payable	$ 90.5	$ 94.4
Interest payable	58.1	24.9
Accrued income taxes	13.8	17.4
Current maturities of long-term debt	95.0	119.9
Other current liabilities	62.5	86.6
Total current liabilities	319.9	343.2
Long-term debt	1,264.0	1,236.8
Deferred tax liabilities	4.3	4.4
Other long-term liabilities	58.5	64.5
Total long-term liabilities	1,326.8	1,305.7
Commitments and contingencies (Note 9)	—	—
Common shares of $0.01 par value; 278.1 shares authorized as of March 31, 2025 and December 31, 2024; 256.4 shares and 255.8 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	2.6	2.6
Additional paid-in capital	1,176.0	1,174.7
Accumulated losses	(735.3)	(749.0)
Total equity	443.3	428.3
Total liabilities and equity	$ 2,090.0	$ 2,077.2

See notes to the condensed consolidated financial statements.

SHELF DRILLING, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In millions)
(Unaudited)

	Three months ended March 31, 2025	Three months ended March 31, 2024
Number of common shares		
Balance, beginning of period	255.8	213.7
Issuance of common shares	0.6	—
Balance, end of period	256.4	213.7
Common shares		
Balance, beginning of period	$ 2.6	$ 2.1
Balance, end of period	2.6	2.1
Additional paid-in capital		
Balance, beginning of period	1,174.7	1,160.3
Share-based compensation expense, net of forfeitures	1.3	1.0
Balance, end of period	1,176.0	1,161.3
Accumulated losses		
Balance, beginning of period	(749.0)	(830.4)
Net income	13.7	4.4
Balance, end of period	(735.3)	(826.0)
Total controlling interest shareholders' equity		
Balance, beginning of period	428.3	332.0
Net income	13.7	4.4
Share-based compensation expense, net of forfeitures	1.3	1.0
Balance, end of period	443.3	337.4
Non-controlling interest		
Balance, beginning of period	—	70.3
Net loss	—	(8.2)
Balance, end of period	—	62.1
Total equity	$ 443.3	$ 399.5

See notes to the condensed consolidated financial statements.

SHELF DRILLING, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three months ended March 31, 2025	2024
Cash flows from operating activities		
Net income / (loss)	$ 13.7	$ (3.8)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	21.2	21.3
Provision for credit losses, net	0.6	1.0
Amortization of deferred revenue	(9.9)	(10.6)
Amortization of intangible liability	(3.0)	(3.2)
Share-based compensation expense, net of forfeitures	1.3	1.0
Amortization of debt issuance costs and discounts	2.8	3.3
(Gain) / loss on disposal of assets	(3.1)	1.0
Deferred tax expense, net	0.5	0.3
Changes in deferred costs, net*	12.5	(7.9)
Foreign currency transaction (gains) / losses	(0.2)	4.6
Changes in operating assets and liabilities	13.2	30.4
Net cash provided by operating activities	49.6	37.4
Cash flows from investing activities		
Additions to property and equipment*	(9.6)	(20.4)
Proceeds from disposal of assets	9.2	0.2
Proceeds from insurance recovery	4.5	—
Net cash provided by / (used in) investing activities	4.1	(20.2)
Cash flows from financing activities		
Payment of debt issuance costs	(0.3)	(1.2)
Payment of debt extinguishment costs	—	(0.2)
Repayment of term loan	—	(8.3)
Payment of equity issuance costs	(0.1)	—
Net cash used in financing activities	(0.4)	(9.7)
Exchange rate change effect on cash, cash equivalents and restricted cash	0.2	(4.6)
Net increase in cash, cash equivalents and restricted cash	53.5	2.9
Cash, cash equivalents and restricted cash at beginning of period*	161.7	107.0
Cash, cash equivalents and restricted cash at end of period*	$ 215.2	$ 109.9

* See Note 13 – Supplemental Cash Flow Information for a reconciliation of cash payments for additions to property and equipment and changes in deferred costs, net to total capital expenditures and deferred costs and a reconciliation of cash, cash equivalents and restricted cash balances.

See notes to the condensed consolidated financial statements.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Basis of Presentation

Basis of Presentation

Shelf Drilling, Ltd. ("SDL") with its majority owned subsidiaries (together, the "Company", "we" or "our") has prepared the accompanying condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Pursuant to such rules and regulations, these financial statements do not include all disclosures required by GAAP for complete financial statements. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair statement of financial position, results of operations and cash flows for the interim periods. Such adjustments are of a normal recurring nature unless otherwise noted. Operating results for the three months ended March 31, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025 or for any future period. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company's Form 10-K Equivalent for the year ended December 31, 2024. The amounts are presented in United States ("U.S.") dollar ("$") rounded to the nearest tenth of a million, unless otherwise stated. The Company's significant accounting policies are included in the Company's Form 10-K Equivalent for the year ended December 31, 2024.

Note 2 – Accounting Standards Updates

Standards Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires a tabular reconciliation using both percentages and amounts, broken out into specific categories with certain reconciling items at or above 5% of the statutory tax further broken out by nature and/or jurisdiction. This ASU also has disclosure requirements related to income taxes paid (net of refunds received), broken out between federal, state/local and foreign, and amounts paid to an individual jurisdiction when 5% or more of the total income taxes paid. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not intend to early adopt this standard. The Company is currently reviewing the impact of the adoption on the condensed consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40), which requires tabular footnote disclosure about specific expenses included in income statement captions that includes (1) purchases of inventory, (2) employee compensation, (3) depreciation, (4) intangible asset amortization and (5) depreciation, depletion, and amortization recognized as part of oil and natural gas producing activities. The standard also requires the total amount of selling expenses and the definition of selling expenses. The ASU is effective for fiscal years beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The Company does not intend to early adopt this standard. The Company is currently reviewing the impact of the adoption on the condensed consolidated financial statements.

Note 3 – Revenues

As of March 31, 2025, the drilling contract with the longest expected remaining duration, excluding unexercised options, extends through July 2031.

Contract Liabilities and Deferred Contract Costs

Contract Liabilities

The Company recognizes a contract liability when we invoice an amount which is greater than the revenues allocated to the related performance obligations for goods or services transferred to a customer. Contract liabilities include fees for contract preparation, capital upgrades, mobilization and advance payments from customers for future services which are recorded as other current liabilities and other long-term liabilities, as appropriate, in the condensed consolidated balance sheets.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Following are the details of the contract liabilities (in millions):

	As of	
	March 31, 2025	December 31, 2024
Current contract liabilities	$ 32.6	$ 44.6
Non-current contract liabilities	7.7	11.5
	$ 40.3	$ 56.1

Significant changes in contract liabilities were as follows (in millions):

	Three months ended March 31,	
	2025	2024
Balance, beginning of period	$ 56.1	$ 100.5
Increase due to contractual additions	8.2	15.9
Decrease due to amortization of deferred revenue	(9.9)	(10.6)
Decrease due to application of customer deposits and other	(14.1)	(8.6)
Balance, end of period	$ 40.3	$ 97.2

Revenues recognized of $16.0 million and $13.2 million during the three months ended March 31, 2025 and 2024, respectively, were included in the beginning contract liabilities balances.

Expected future amortization of contract liabilities, net recorded as of March 31, 2025 is as follows (in millions):

	As of March 31, 2025
Remainder of 2025	$ 28.2
2026	11.1
2027	1.0
	$ 40.3

Deferred Contract Costs

The Company's deferred contract costs are mainly related to contract preparation and mobilization costs. Certain non-contractual costs such as regulatory inspections, major equipment overhauls (including rig upgrades), and stacked rig activations are expensed, deferred or capitalized into property and equipment as appropriate and are not included in deferred contract costs.

Following are the details of the deferred contract costs (in millions):

	As of	
	March 31, 2025	December 31, 2024
Current deferred contract costs	$ 43.8	$ 47.4
Non-current deferred contract costs	15.2	21.3
	$ 59.0	$ 68.7

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Significant changes in deferred contract costs are as follows (in millions):

	Three months ended March 31, 2025	Three months ended March 31, 2024
Balance, beginning of period	$ 68.7	$ 78.5
Increase due to contractual additions	2.1	13.7
Decrease due to amortization of deferred contract costs	(11.8)	(10.6)
Balance, end of period	$ 59.0	$ 81.6

Allowance for Credit Losses

Allowance for credit losses was as follows (in millions):

	As of March 31, 2025	As of December 31, 2024
Allowance for credit losses	$ 7.7	$ 7.1

Movements in allowance for credit losses were as follows (in millions):

	Three months ended March 31, 2025	Three months ended March 31, 2024
Balance, beginning of period	$ 7.1	$ 8.5
Provision for credit losses, net	0.6	1.0
Write-off of uncollectible amounts	—	(3.4)
Balance, end of period	$ 7.7	$ 6.1

Note 4 – Net Income Per Common Share

The computation of basic and diluted net income per common share are as follows (in millions, except per share data):

	Three months ended March 31, 2025	Three months ended March 31, 2024
Numerator for net income per common share		
Net income attributable to controlling interest	$ 13.7	$ 4.4
Denominator for net income per common share		
Weighted average common shares:		
Weighted average common shares - basic	256.2	213.7
Weighted average common shares - diluted	260.6	225.3
Net income per common share - basic	$ 0.05	$ 0.02
Net income per common share - diluted	$ 0.05	$ 0.02

In February 2025 and 2024, the Company granted service and market based restricted stock units which are included in the diluted weighted average common shares.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5 – Property and Equipment

Disposal of Assets

Disposal of assets were as follows (in millions):

	Three months ended March 31,	
	2025	2024
Net carrying value	$ 7.2	$ 1.2
Net proceeds	$ 10.3	$ 0.2
Gain on disposal of assets	$ 3.1	$ 1.0

Assets Held for Sale

As of December 31, 2024, the Main Pass I was recorded as asset held for sale. In December 2024, the Company entered into an agreement to sell the Main Pass I rig with a carrying value of $6.6 million. The Company received proceeds of $1.1 million in December 2024 and the remaining net proceeds of $8.3 million were received at the completion of sale in January 2025. The Company recognized a gain on disposal of $2.8 million during the three months ended March 31, 2025.

Trident VIII Incident

In April 2024, the Trident VIII rig suffered structural leg damage while it was under contract in West Africa. During the three months ended March 31, 2025, the Company received insurance proceeds of $4.5 million, which reduced the insurance receivable balance from $6.5 million as of December 31, 2024 to $2.0 million as of March 31, 2025.

In December 2024, the Company entered into an agreement to sell the rig for total proceeds of $1.7 million. The Company received $0.5 million in December 2024 and the remaining $1.2 million at the completion of transaction in April 2025.

Note 6 – Intangible Liability

Following are the details of the intangible liability (in millions):

	As of	
	March 31, 2025	December 31, 2024
Intangible liability (1)	$ 5.5	$ 8.5

(1) Recorded in other long-term liabilities on the condensed consolidated balance sheets.

The gross carrying amount and the accumulated amortization of intangible liability are as follows (in millions):

	As of March 31, 2025		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Balance, beginning of period	$ 43.1	$ (34.6)	$ 8.5
Amortization	—	(3.0)	(3.0)
Balance, end of period	$ 43.1	$ (37.6)	$ 5.5

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	As of December 31, 2024		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Balance, beginning of year	$ 43.1	$ (21.8)	$ 21.3
Amortization	—	(12.8)	(12.8)
Balance, end of year	$ 43.1	$ (34.6)	$ 8.5

The estimated future amortization of the intangible liability is as follows (in millions):

	As of March 31, 2025
Remainder of 2025	$ 4.5
2026	1.0
	$ 5.5
Weighted average life (in years)	0.9

Amounts recorded for amortization of intangible liability were as follows (in millions):

	Three months ended March 31,	
	2025	2024
Amortization of intangible liability (1)	$ 3.0	$ 3.2

(1) Recorded in the operating revenues in the condensed consolidated statements of operations.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 7 – Debt

The principal amounts and carrying values of debt are as follows (in millions):

	As of	
	March 31, 2025	December 31, 2024
Term loan, due March 2027		
Principal amount	$ 25.0	$ 25.0
Unamortized discount	(0.3)	(0.1)
Carrying value	24.7	24.9
9.625% senior secured notes, due April 2029		
Principal amount	1,057.5	1,057.5
Unamortized debt issuance costs	(15.0)	(15.9)
Unamortized discount	(14.6)	(15.7)
Carrying value	1,027.9	1,025.9
9.875% senior secured bonds, due November 2028		
Principal amount	315.0	315.0
Unamortized debt issuance costs	(4.3)	(4.6)
Unamortized discount	(4.3)	(4.5)
Carrying value	306.4	305.9
Total carrying value	1,359.0	1,356.7
Less: Current maturities of long-term debt		
Term loan, due March 2027	—	24.9
9.625% senior secured notes, due April 2029	75.0	75.0
9.875% senior secured bonds, due November 2028	20.0	20.0
	95.0	119.9
Total long-term debt	$ 1,264.0	$ 1,236.8

Following is a summary of scheduled debt principal payments (in millions):

	As of March 31, 2025
Twelve months ending March 31,	
2026	$ 95.0
2027	120.0
2028	95.0
2029	330.0
2030	757.5
Total	$ 1,397.5

Term Loan, due March 2027

On March 28, 2025, Shelf Drilling Holdings, Ltd. ("SDHL"), an indirect wholly-owned subsidiary of SDL, effected an amendment to the term loan facility agreement, whereby the existing lender agreed to transfer its entire $25.0 million participation to new lenders and the maturity date was extended from March 31, 2025 to March 31, 2027 ("Term Loan").

The amendment to the term loan facility agreement was accounted for as a debt modification. As of March 31, 2025, $0.3 million of amendment costs were capitalized as unamortized discount and $0.9 million of third party costs were expensed in general and administrative expenses. The effective interest rate on the Term Loan is 10.35%. Interest is payable quarterly and is calculated as follows:

1. The term secured overnight financing rate administrated by the CME Group benchmark administration; plus

2. Margin rate of 5.50%.

The Term Loan is subject to make-whole premium which means, on any prepayment date, an amount equal to the present value of all required and scheduled interest payments that would otherwise have accrued or been due on the prepayment amount from (and including) the prepayment date to (and including) the period from March 28, 2025 to and including the day immediately preceding the first anniversary of March 28, 2025 (and assuming the then current interest rate applies throughout the period with interest periods of three months) computed at the prepayment date using a discount rate equal to the treasury rate at the prepayment date. The Term Loan is subject to a prepayment fee which is calculated as follows:

Prepayment date	Prepayment fee
After March 28, 2025 and before the first 12 months	Greater of the make-whole premium or 2.00% of the prepayment amount
After the first 12 months but before 18 months	2.00% of the prepayment amount
After the first 18 months but before the termination date	1.00% of the prepayment amount
Termination date	None

The Term Loan is subject to a consolidated net leverage ratio of 3.75 which will be tested when the credit facility is drawn greater than or equal to 40%. The Company was in compliance with all covenants of its debt agreements as of March 31, 2025.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 8 – Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, accounts receivable, restricted cash, accounts payable, accrued liabilities, operating lease liabilities and short-term debt, approximate their fair market values due to the short-term duration and/or the nature of the instruments.

The following table represents the carrying value and fair value of debt and money market funds (in millions):

	As of March 31, 2025		As of December 31, 2024	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
9.625% senior secured notes, due April 2029	$ 1,027.9	$ 915.0	$ 1,025.9	$ 893.7
9.875% senior secured bonds, due November 2028	$ 306.4	$ 310.4	$ 305.9	$ 309.8
Term loan, due March 2027	$ 24.7	$ 25.0	$ —	$ —
Money market funds	$ 96.1	$ 96.1	$ 15.3	$ 15.3

The estimated fair value of the senior secured notes and money market funds was determined using quoted market prices or Level 1 inputs. The estimated fair value of the Term Loan was determined using Level 3 inputs.

Note 9 – Commitments and Contingencies

Legal Proceedings

The Company is involved in various claims and lawsuits in the normal course of business. The Company does not believe that the resolution of these legal proceedings will have a material adverse impact on its financial condition, results of operations, or cash flows.

Surety Bonds and Other Bank Guarantees

It is customary in the Company's business to have various surety bonds in place that secure customs obligations relating to the temporary importation of rigs and equipment and certain contractual performance and other obligations. The Company maintains surety bond facilities in either U.S. dollars or local currencies provided by several banks in India, the United Kingdom, United Arab Emirates, Saudi Arabia, Nigeria, Vietnam and Thailand, which are secured by restricted cash balances or Credit Facility to guarantee various contractual, performance and customs obligations.

The total and outstanding surety bond facilities were as follows (in millions):

	As of	
	March 31, 2025	December 31, 2024
Total surety bond facilities	$ 144.1	$ 121.9
Outstanding surety bonds	$ 89.5	$ 88.8

Note 10 – Equity

Authorized Share Capital

On June 12, 2024, the Company amended its articles of association to increase the authorized capital to 278.1 million shares.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Common Shares Issuance

On October 11, 2024, the Company acquired the remaining 40% shares in SDNS by issuing 42.0 million common shares with a par value of $0.01 per common share and cash of $30.1 million to previous SDNS shareholders, and associated equity issuance costs were $1.4 million. SDNS has become a wholly-owned subsidiary of SDL at completion of this transaction.

Note 11 – Income Taxes

Income tax expense for the three months ended March 31, 2025 and 2024, was calculated using a discrete approach whereby income tax expense is determined by estimating the actual income tax liability that will result from earnings from continued operations for the three months ended March 31, 2025 and 2024, rather than by using an estimated annual effective income tax rate as applied to year-to-date income before income taxes, primarily due to management's view that it was not possible to reliably estimate an annual 2025 and 2024 effective tax rate given the sensitivity of the estimated annual effective tax rate to any changes in annual income or losses before income tax.

The Company's income tax expense (in millions) and effective income tax rate were as follows:

	Three months ended March 31,	
	2025	2024
Income tax expense	$ 11.5	$ 9.0
Effective tax rate	46 %	173 %

Income tax expense for the three months ended March 31, 2025 was higher than for the same period in 2024. The increase was primarily driven by tax expense recognized under Pillar Two of the OECD global minimum tax framework, which applied to the Company for the first time in the current period, and increased liabilities for uncertain tax positions, compared to reductions in such liabilities in the prior period due to favorable currency fluctuations. These increases were partially offset by the impact of prior period adjustments and by a taxable loss incurred in a certain jurisdiction in the current period, compared to taxable income in that jurisdiction in the prior period.

Tax Returns and Examinations

The Company is engaged in ongoing income tax disputes and/or tax audits in various jurisdictions, including Italy, Egypt, India, Nigeria, Saudi Arabia, and Thailand. The Company is vigorously contesting all substantial assessments and has recorded tax reserves for all amounts that the Company deems more likely than not to be sustained in favor of the tax authorities upon final resolution. If the Company were to lose one or more tax disputes, income tax liability could increase substantially and the Company's earnings and cash flows from operations could be materially adversely affected. As of March 31, 2025, the 2013 through 2024 income tax periods remain open for examination in multiple jurisdictions.

Note 12 – Variable Interest Entities

The Company, through a wholly-owned indirect subsidiary, is the primary beneficiary of variable interest entities ("VIEs") providing services which are Shelf Drilling Ventures (Malaysia) Sdn. Bhd. ("SDVM"), PT. Hitek Nusantara Offshore Drilling ("PT Hitek"), Shelf Drilling (Nigeria) Limited ("SDNL"), Shelf Drilling Offshore Services Limited ("SDOSL") and Shelf Drilling (Angola), Limitada ("SDAL") and which are included in these condensed consolidated financial statements.

These VIEs are incorporated in jurisdictions where majority or significant foreign ownership of domestic companies is restricted or commercially incompatible with local content requirements. To comply with such foreign ownership and/or local content restrictions, the Company and the relevant local third parties, described further below, have established these VIEs and have contractual arrangements to convey decision-making and economic rights to the Company.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Following is the information about the third party interests in the VIEs:

	Third party country of incorporation	Third party ownership percentage March 31, 2025	December 31, 2024
SDVM	Malaysia	60%	60%
PT Hitek	Indonesia	20%	20%
SDNL	Nigeria	51%	51%
SDOSL	Nigeria	20%	20%
SDAL	Angola	51%	51%

Each of the third parties listed above are not in a position to provide additional financing to their respective VIEs and do not participate in any gains and/or losses. The Company is the primary beneficiary as it has the power to direct the operating and marketing activities, which are the activities that most significantly impact each entity's economic performance, and has the obligation to absorb losses and the right to receive a majority of the benefits of the VIEs. Therefore, the Company has determined that the VIEs meet the criteria to be presented as consolidated entities in the Company's condensed consolidated financial statements.

Following are revenues and operating costs and expenses of the VIEs, after eliminating the effect of intercompany transactions, for the three months ended March 31, 2025 and 2024 (in millions):

	SDVM	PT Hitek	SDNL	SDOSL	SDAL	Total
March 31, 2025:						
Revenues	$ 1.2	$ —	$ 29.3	$ —	$ 3.2	$ 33.7
Operating costs and expenses	$ 0.9	$ 0.1	$ 21.3	$ 1.7	$ 3.3	$ 27.3
March 31, 2024:						
Revenues	$ —	$ —	$ 22.5	$ —	$ 3.4	$ 25.9
Operating costs and expenses	$ 0.1	$ 0.1	$ 17.1	$ 1.3	$ 3.0	$ 21.6

There are no material differences between the results of operations and cash flows of the consolidated Company, inclusive of the VIEs listed above, than there would have been if the VIEs operations were run out of a wholly-owned subsidiary of the Company.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Following are the assets and liabilities of the VIEs, after eliminating the effect of intercompany transactions, as of March 31, 2025 (in millions):

	SDVM	PT Hitek	SDNL	SDOSL	SDAL	Total
Assets						
Cash and cash equivalents	$ 1.1	$ 0.2	$ 1.7	$ —	$ 3.0	$ 6.0
Accounts and other receivables, net	0.9	0.1	22.8	—	2.9	26.7
Other current assets	—	—	0.1	1.0	0.5	1.6
Total current assets	2.0	0.3	24.6	1.0	6.4	34.3
Property and equipment, net	—	—	2.0	—	—	2.0
Other long-term assets	—	—	6.3	1.4	—	7.7
Total non-current assets	—	—	8.3	1.4	—	9.7
Total assets	$ 2.0	$ 0.3	$ 32.9	$ 2.4	$ 6.4	$ 44.0
Liabilities						
Accounts payable	$ 0.1	$ —	$ 6.9	$ 0.2	$ 0.8	$ 8.0
Other current liabilities	0.3	0.1	7.6	0.5	0.5	9.0
Total current liabilities	0.4	0.1	14.5	0.7	1.3	17.0
Other long-term liabilities	0.1	0.2	—	0.7	—	1.0
Total long-term liabilities	0.1	0.2	—	0.7	—	1.0
Total liabilities	$ 0.5	$ 0.3	$ 14.5	$ 1.4	$ 1.3	$ 18.0
Carrying amount, net	$ 1.5	$ —	$ 18.4	$ 1.0	$ 5.1	$ 26.0

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Following are the assets and liabilities of the VIEs, after eliminating the effect of intercompany transactions, as of December 31, 2024 (in millions):

	SDVM	PT Hitek	SDNL	SDOSL	SDAL	Total
Assets						
Cash and cash equivalents	$ —	$ 0.2	$ 2.8	$ 0.1	$ 1.2	$ 4.3
Accounts and other receivables, net	0.7	0.1	13.6	—	3.9	18.3
Other current assets	—	—	0.1	0.5	0.5	1.1
Total current assets	0.7	0.3	16.5	0.6	5.6	23.7
Property and equipment, net	—	—	2.0	—	—	2.0
Other long-term assets	—	—	6.7	0.3	—	7.0
Total non-current assets	—	—	8.7	0.3	—	9.0
Total assets	$ 0.7	$ 0.3	$ 25.2	$ 0.9	$ 5.6	$ 32.7
Liabilities						
Accounts payable	$ 0.1	$ —	$ 8.6	$ 0.1	$ 0.6	$ 9.4
Other current liabilities	0.1	0.1	10.8	0.5	0.5	12.0
Total current liabilities	0.2	0.1	19.4	0.6	1.1	21.4
Other long-term liabilities	0.1	0.2	—	0.6	—	0.9
Total long-term liabilities	0.1	0.2	—	0.6	—	0.9
Total liabilities	$ 0.3	$ 0.3	$ 19.4	$ 1.2	$ 1.1	$ 22.3
Carrying amount, net	$ 0.4	$ —	$ 5.8	$ (0.3)	$ 4.5	$ 10.4

There are no material restrictions on the assets disclosed above, except for certain property and equipment which is pledged as collateral. Liability holders typically have recourse to the general credit of the Company when seeking to enforce settlement of liabilities. See Note 15 – Related Parties for additional discussion on the Company's transactions with its VIEs.

Note 13 – Supplemental Cash Flow Information

Capital Expenditures and Deferred Costs

Capital expenditures and deferred costs include rig acquisition and other fixed asset purchases, certain expenditures associated with regulatory inspections, major equipment overhauls, contract preparation (including rig upgrades), mobilization and stacked rig reactivations.

The Company's capital expenditures and deferred costs were as follows (in millions):

	Three months ended March 31,	
	2025	2024
Regulatory and capital maintenance	$ 16.2	$ 29.8
Contract preparation	2.1	13.7
Fleet spares and others	(2.8)	5.0
Total capital expenditures and deferred costs	$ 15.5	$ 48.5

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The reconciliation of the payments for acquisition of property and equipment and changes in deferred costs, net to total capital expenditures and deferred costs was as follows (in millions):

	Three months ended March 31, 2025	Three months ended March 31, 2024
Cash payments for additions to property and equipment	$ 9.6	$ 20.4
Net change in advances and accrued but unpaid additions to property and equipment	(1.8)	0.6
Total capital expenditures	7.8	21.0
Changes in deferred costs, net	(12.5)	7.9
Add: Amortization of deferred costs	20.2	19.6
Total deferred costs	7.7	27.5
Total capital expenditures and deferred costs	$ 15.5	$ 48.5

The reconciliation of cash, cash equivalents and restricted cash reported in the condensed consolidated balance sheets to the total of such amounts reported in the condensed consolidated statements of cash flows was as follows (in millions):

	As of March 31, 2025	As of December 31, 2024
Cash and cash equivalents	$ 206.6	$ 152.3
Restricted cash included in other current assets	1.2	2.0
Restricted cash included in other long-term assets	7.4	7.4
Total cash, cash equivalents and restricted cash	$ 215.2	$ 161.7

Note 14 – Segment and Related Information

Operating segments are defined as components of an entity for which separate financial statements are available and are regularly provided to the chief operating decision maker, which is our chief executive officer in deciding how to allocate resources and assess performance. The Company has one reportable segment, contract services, which reflects how the Company manages its business, and the fact that the Company's fleet is dependent upon the worldwide oil and natural gas industry. Significant segment expenses include operating and maintenance, general and administrative and interest expense and financing charges. As a single reporting segment, these significant segment expenses, along with the remaining other segment items and net income / (loss), which is primary measure of segment profitability, are disclosed in the condensed consolidated statements of operations. See condensed consolidated balance sheets for segment asset information provided to the chief operating decision maker.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Total revenues by country based on the location of the service provided were as follows (in millions):

	Three months ended March 31,	
	2025	2024
Nigeria	$ 63.3	$ 49.2
India	34.2	37.0
Norway	22.8	—
Thailand	20.9	21.2
Italy	18.0	18.6
Saudi Arabia	13.9	76.7
United Kingdom	13.8	10.9
Vietnam	13.7	—
Angola	12.4	10.8
Others [(1)]	29.7	27.1
	242.7	251.5
Amortization of intangible liability	3.0	3.2
Total revenues	$ 245.7	$ 254.7

(1) Represents countries which are individually less than 5% of total revenues.

Total long-lived assets, net of impairment, depreciation and amortization by location based on the country in which the assets were located as of the balance sheet date were as follows (in millions):

	As of	
	March 31, 2025	December 31, 2024
Thailand	$ 412.0	$ 417.1
Nigeria	337.0	253.2
Norway	171.8	173.9
India	107.8	111.1
United Arab Emirates	100.7	101.7
Saudi Arabia	61.1	152.9
Others [(1)]	406.2	413.9
Total long-lived assets, net	$ 1,596.6	$ 1,623.8

(1) Represents countries which are individually less than 5% of total long-lived assets.

The total long-lived assets are comprised of property and equipment, right-of-use assets and short-term and long-term deferred costs. A substantial portion of the Company's assets are mobile, and as such, asset locations at the end of the period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the period.

Note 15 – Related Parties

The Company's related parties include China Merchants Industry Holdings Company Limited and Castle Harlan, Inc., independent SDL directors, key management personnel, VIEs and entities controlled, jointly controlled or significantly influenced by such parties. On October 11, 2024, SDNS became a wholly-owned subsidiary of SDL and is no longer considered as a related party. See Note 10 – Equity for details.

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Directors

SDL directors' costs include directors' fees and reimbursement of costs incurred by directors for attendance at meetings relating to the management and governance of the Company. Directors' costs also include share-based compensation expense. The amounts recorded were as follows (in millions):

	Three months ended March 31, 2025	Three months ended March 31, 2024
SDL directors costs	$ 0.4	$ 0.5

The total liability recorded under accounts payable for such transactions was as follows (in millions):

	As of March 31, 2025	As of December 31, 2024
Accounts payable	$ 0.1	$ 0.1

The Company incurred costs for SDNS independent directors' fees and reimbursement of costs for attendance at SDNS meetings relating to the management and governance of SDNS. The Company recorded immaterial amounts for the three months ended March 31, 2025 and 2024, respectively. The total liability for these costs under accounts payable was immaterial as of March 31, 2025 and December 31, 2024, respectively.

VIEs

Certain VIEs related parties provided goods and services to drilling rigs owned by several of the Company's foreign subsidiaries. The amounts recorded were as follows (in millions):

	Three months ended March 31, 2025	Three months ended March 31, 2024
VIE related parties provided goods and services	$ 1.2	$ 1.0

The total liability recorded under accounts payable for such transactions was as follows (in millions):

	As of March 31, 2025	As of December 31, 2024
Accounts payable	$ 1.3	$ 1.2

Lease

The Company entered into an operating lease agreement for yard space with a VIEs related party with cancellable terms. The duration of this lease is three years. The lease does not include an extension or renewal option, but a termination option is available to either party. The lease payments are fixed for the duration of the lease. This lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The Company has recorded the following (in millions):

	Three months ended March 31, 2025	Three months ended March 31, 2024
Lease expense	$ 0.6	$ 0.3

SHELF DRILLING, LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	As of	
	March 31, 2025	December 31, 2024
Right-of-use assets		
Other long-term assets	$ 5.1	$ 5.6

Note 16 – Subsequent Events

The Company has evaluated subsequent events through May 12, 2025, the date of issuance of the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements contained in this form 10-Q equivalent ("Form 10-Q Equivalent") and the audited consolidated financial statements included in the Company's Form 10-K Equivalent for the year ended December 31, 2024.

Forward-Looking Statements

All statements other than statements of historical facts included in this report regarding any of the matters in the list immediately below are forward-looking statements. Forward-looking statements in this report include, but are not limited to, statements about the following subjects:

- the impact of variations in oil and natural gas production, prices, and demand for hydrocarbons, which drives activity in resource exploration and drilling activity;
- changes in the global macro environment including general economic, fiscal and business conditions in jurisdictions in which we operate and elsewhere;
- the decline in demand as oil and natural gas fossil fuels are replaced by sustainable/clean energy;
- changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild rigs;
- the demand for our rigs, including the preferences of some of our customers for newer and/or higher specification rigs;
- our ability to renew or extend contracts, enter into new contracts when such contracts expire or are terminated, and negotiate the dayrates and other terms of such contracts;
- future regulatory requirements or customer expectations to reduce carbon emissions;
- the effects of supply chain disruptions such as supplier capacity constraints or shortages in parts or equipment, supplier production disruptions, supplier quality and sourcing issues or price increases;
- public health issues, including epidemics and pandemics such as COVID-19 and their effect on demand for our services, global demand for oil and natural gas, the U.S. and world financial markets, our financial condition, results of operations and cash flows;
- our and our customers' ability to obtain permits and approvals for operations;
- expectations, trends and outlook regarding operating revenues, operating and maintenance expense, insurance coverage, insurance expense and deductibles, interest expense and other matters with regard to outlook and future earnings;
- the effect of disproportionate changes in our costs compared to changes in operating revenues;
- complex and changing laws, treaties and regulations, including environmental, anti-corruption and tax laws and regulations, that can adversely affect our business;
- the effects and results of our strategies;
- downtime and other risks associated with offshore rig operations or rig relocations, including rig or equipment failure, damage and other unplanned repairs;
- the expected completion of shipyard projects including the timing of rig construction or reactivation and delivery and the return of idle rigs to operations;
- future capital expenditures and deferred costs, refurbishment, reactivation, transportation, repair and upgrade costs;
- sufficiency and availability of funds and adequate liquidity for required capital expenditures and deferred costs, working capital, share repurchases and debt service;
- our levels of indebtedness, covenant compliance, access to future capital, and liquidity sufficient to service our debt;

- the market value of our rigs and of any rigs we acquire in the future, which may decrease and/or be impaired as a result of Company specific, industry specific or market factors;
- the level of reserves for accounts receivable and other financial assets, as appropriate;
- the proceeds and timing of asset dispositions;
- litigation, investigations, claims and disputes and their effects on our financial condition and results of operations;
- effects of accounting changes and adoption of accounting policies;
- our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to labor regulations, unionization or otherwise;
- the security and reliability of our technology systems and service providers;
- the adverse changes in foreign currency exchange rates and currency convertibility;
- the cost and timing of acquisitions and integration of additional rigs; and
- our incorporation under the laws of the Cayman Islands and the limited rights to relief that may be available compared to United States ("U.S.") laws.

This Form 10-Q Equivalent should be read in its entirety as it pertains to Shelf Drilling, Ltd. ("SDL"). Except where indicated, the condensed consolidated financial statements and the notes to the condensed consolidated financial statements are combined. References in this Form 10-Q Equivalent to "Shelf Drilling", "SDL", the "Company", "we", "us", "our" and words of similar meaning refer collectively to Shelf Drilling Ltd. and its consolidated subsidiaries, unless the context requires otherwise. When used in this Form 10-Q Equivalent, the words "anticipate, " "believe, " "estimate, " "expect, " "intend, " "plan, " "project, " "could, " "may, " "might, " "should, " "will" and similar words or the negative of these terms are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on the Company's current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements. The statements under Item 1A. Risk Factors included in the Company's Form 10-K Equivalent for the year ended December 31, 2024 should be read carefully in addition to the above uncertainties and assumptions. These risks and uncertainties are beyond the Company's ability to control, and in many cases, the Company cannot predict such risks and uncertainties, which could cause its actual results to differ materially from those indicated by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated.

All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by reference to these risks and uncertainties. Undue reliance should not be placed on forward-looking statements. Each forward-looking statement is applicable only as of the date of the particular statement, and the Company undertakes no obligation to update or revise any forward-looking statements, except as required by law.

Business

Shelf Drilling, Ltd. ("SDL") was incorporated on August 14, 2012 as a private corporation in the Cayman Islands. SDL, with its majority owned subsidiaries (together, the "Company", "we" or "our") is a leading international shallow water offshore contractor providing equipment and services for the drilling, completion, maintenance and decommissioning of oil and natural gas wells. We are solely focused on shallow water operations in depths of up to 500 feet and our fleet consists of 33 independent-leg cantilever ("ILC") jack-up rigs as of March 31, 2025, making us one of the world's largest owners and operators of jack-up rigs by number of active shallow water rigs. Since June 25, 2018, SDL shares have been listed on the Oslo Stock Exchange ("OSE") under the ticker symbol SHLF. Our website address is www.shelfdrilling.com.

Since our inception in 2012, we have applied our "fit-for-purpose" strategy to enhance the performance of our business, people and processes, leveraging our sole focus on the shallow water segment and the decades of experience of our people with our customers, rigs and markets where we operate. The diversified geographical focus of our jack-ups and the allocation of resources to purchase, build or upgrade rigs are determined by the activities and needs of our customers. Our main customers are national oil companies, international oil companies and independent oil and natural gas companies, who contract our rigs for varying durations.

SDL is a holding company with no significant operations or assets other than interests in its direct and indirect subsidiaries. All operations are conducted through Shelf Drilling Holdings, Ltd. ("SDHL") an indirect wholly-owned subsidiary of SDL. Our corporate offices are in Dubai, United Arab Emirates, geographically close to our operations in the Middle East, North Africa and the Mediterranean (together, "MENAM"), Southeast Asia, India, West Africa and the North Sea.

Recent Events

In April 2025, the Company received a notice of termination of operations for the Shelf Drilling Winner which will be effective during August 2025.

In May 2025, the Company secured an extension of the Trident 16 until August 2025 in direct continuation of its current contract in Egypt.

Drilling Fleet

The following table summarizes the Company's offshore rigs:

	As of		
	March 31, 2025	December 31, 2024	March 31, 2024
Jack-up rigs	33	33	36

Outlook

After a period of relative stability in the global oil markets until March 2025, brent crude oil prices, a key driver of jack-up rig demand, deteriorated in early April to their lowest levels in four years reaching the high $50's per barrel following the U.S. trade tariff announcements and the prospect of higher supplies from certain OPEC+ countries. While oil prices subsequently recovered to around $65 per barrel after the implementation of some of the tariffs was postponed, these developments have created market volatility and uncertainty, with wide-ranging implications on economic growth, inflation and trade risk. Most analysts have therefore revised down their 2025 and 2026 brent price projections to the $65 per barrel range, which we believe remains a constructive level for shallow water activity. However, sustained low oil prices below this level could prompt many oil and gas companies to reduce capital spending in the short-term, with cash flow constraints increasing pressure to scale back drilling activity or defer certain projects.

Global jack-up market utilization reached 95% in early 2024 but is now expected to fall below 90% in 2025. Contracted jack-ups declined from 404 in early 2025 to 394 in May 2025, with most new awards for short-term contracts. The contract suspensions in the Middle East during 2024 continue to impact the global jack-up market, resulting in increased near-term dayrate pressure in recent months, as contractors seek to redeploy many of the impacted rigs to other regions. While there are also signs of short-term oversupply in India due to a slowdown in tendering in 2024, the long-term activity outlook remains positive in that market. We continue to see incremental jack-up demand in certain regions, particularly in West Africa and Southeast Asia. The long-term global demand for oil and gas remains strong, as hydrocarbons are expected to represent a significant source of energy needs for the foreseeable future, with shallow water activity anticipated to remain a critical component of a diversified and reliable energy mix due to its lower development cost.

Our results for the first quarter of 2025 demonstrate Shelf Drilling's resilience and execution capabilities, with sequential improvement in EBITDA and reduction in capital expenditures. The relocation of the High Island II and Shelf Drilling Victory from Saudi Arabia to West Africa creates attractive opportunities for both rigs in the second half of 2025 and beyond. We remain focused on delivering best-in-class operations to all our customers, as well as identifying and realizing cost savings and efficiency gains across all levels of the organization. We continue to have an optimistic long-term outlook for the industry as well as for our business. With our operating platform, track record, geographic footprint and strong liquidity position, we believe we are well positioned to navigate the near-term challenges and uncertainty.

Operational Measures

We use various operational measures common to our industry to evaluate our operational performance including:

- *Contract backlog* is the maximum contract dayrate revenues that can be earned from firm commitments for contract services represented by executed definitive agreements based on the contracted operating dayrate during the contract period less any planned out-of-service periods for regulatory inspections and surveys or other work. Contract backlog excludes revenues resulting from mobilization and demobilization fees, capital or upgrade reimbursement, recharges, bonuses and other revenue sources. Contract backlog may also include the maximum contract amount of revenues for the use of our rigs such as bareboat charters or as accommodation units. The contract period excludes revenues from extension options under our contracts, unless such options have been exercised. The contract operating dayrate may differ from the amount estimated due to reduced dayrates for rig movements, adverse weather, planned out of service periods and equipment downtime, among other factors. Actual dayrates may also include contractual adjustments based on market factors, such as Brent crude oil or natural gas prices or cost increases. Contract backlog is a key indicator of our potential future revenue generation.

- *Average dayrate* is 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. Average dayrate can be calculated related to historical revenues or contract backlog.

- *Contracted rigs* consist of all of our rigs that are under contract, including rigs currently operating under a contract and rigs preparing for an upcoming contract.

- *Average contracted days per rig* is the total remaining contracted days for all contracted rigs divided by the number of contracted rigs.

- *Marketable rigs* consist of all of our rigs that are operating or are available to operate, but excluding rigs under third party bareboat charter agreements, stacked rigs, rigs under contract for activities other than drilling, plug and abandonment or associated services, as applicable.

- *Effective utilization* is the 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. Effective utilization measures the dayrate revenue efficiency of our marketable rigs. Effective utilization varies due to changes in operational uptime, planned downtime for periodic surveys, timing of underwater inspections, contract preparation and upgrades, time between contracts and the use of alternative dayrates for waiting-on-weather periods, repairs, standby, force majeure, mobilization or other rates that apply under certain circumstances. We exclude all other types of revenues from the calculation of effective utilization.

The following tables include selected operating measures as of and for the periods presented:

	As of		
	March 31, 2025	**December 31, 2024**	**March 31, 2024**
Contract backlog (in millions) [1]	$ 1,625	$ 2,141	$ 2,175
Weighted average backlog dayrate (in thousands) [1]	$ 100.2	$ 98.5	$ 83.6
Average contract days per rig [1]	559	701	743
Number of contracted rigs [1]	29	31	35

(1) Figures as of March 31, 2025 and December 31, 2024 include the backlog for the suspended rigs in Saudi Arabia.

	Three months ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Average dayrate (in thousands)	$ 94.2	$ 87.5	$ 81.7
Effective utilization	79%	80%	86%
Average marketable rigs	33.0	33.0	36.0

Financial Measures

In addition to terms under generally accepted accounting principles in the United States of America ("GAAP"), we utilize certain non-GAAP financial measures. We present the non-GAAP measures, which include adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and Adjusted EBITDA divided by total revenues excluding the amortization of intangible liability ("Adjusted EBITDA Margin") in addition to net income (loss), which is the most directly comparable GAAP financial measure. We believe that Adjusted EBITDA and Adjusted EBITDA Margin are useful non-GAAP financial measures because they are widely used in our industry to measure a company's operating performance without regard to the excluded items, which can vary substantially from company to company, and are also useful to an investor in evaluating the performance of the business over time. In addition, our management uses Adjusted EBITDA and Adjusted EBITDA Margin in presentations to our board of directors to provide a consistent basis to measure the operating performance of our business, as a measure for planning and forecasting overall expectations, for evaluation of actual results against such expectations and in communications with our shareholders, lenders, noteholders, rating agencies and others concerning our financial performance. Adjusted EBITDA and Adjusted EBITDA Margin may not be comparable to similarly titled measures employed by other companies and should not be considered in isolation or as a substitute for net income (loss) or other data prepared in accordance with GAAP. Adjusted EBITDA and Adjusted EBITDA Margin have significant limitations, including but not limited to the exclusion from these numbers of various cash requirements to operate our business.

Our financial measures were as follows (in millions):

	Three months ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Net income / (loss)	$ 13.7	$ 23.7	$ (3.8)
Add back:			
Interest expense and financing charges, net of interest income [(1)]	35.7	36.1	35.9
Income tax expense	11.5	6.7	9.0
Depreciation	21.2	21.5	21.3
Amortization of deferred costs	20.2	26.4	19.6
Impairment loss	—	3.9	—
(Gain) / loss on disposal of assets	(3.1)	0.7	1.0
Amortization of intangible liability	(3.0)	(3.2)	(3.2)
EBITDA	96.2	115.8	79.8
One-time corporate transaction costs [(2)]	—	0.1	0.2
Gain on insurance recovery	—	(30.9)	—
Adjusted EBITDA	$ 96.2	$ 85.0	$ 80.0
Adjusted EBITDA Margin	40%	38%	32%

(1) Represents interest expenses incurred and accrued on our debt and the amortization of debt issuance fees and costs over the term of the debt, net of interest income.

(2) Represents certain one-time third party professional services and certain costs related to acquisitions.

Our restricted subsidiaries accounted for 71%, 81% and 115% of our Adjusted EBITDA for the three months ended March 31, 2025, December 31, 2024 and March 31, 2024, respectively. Our restricted subsidiaries accounted for 85% and 86% of our assets as of March 31, 2025 and December 31, 2024, respectively.

Operating Results

The following table sets forth information regarding our consolidated results of operations (in millions):

	Three months ended			
	March 31, 2025	**December 31, 2024**	**Change**	**% change**
Revenues				
Operating revenues	$ 236.0	$ 220.2	$ 15.8	7%
Other revenues	9.7	8.4	1.3	15%
	245.7	228.6	17.1	7%
Operating costs and expenses				
Operating and maintenance	129.4	129.5	(0.1)	—%
Depreciation	21.2	21.5	(0.3)	(1%)
Amortization of deferred costs	20.2	26.4	(6.2)	(23%)
General and administrative	16.8	15.8	1.0	6%
Gain on insurance recovery	—	(30.9)	30.9	n/m
Impairment loss	—	3.9	(3.9)	n/m
(Gain) / loss on disposal of assets	(3.1)	0.7	(3.8)	(543%)
	184.5	166.9	17.6	11%
Operating income	61.2	61.7	(0.5)	(1%)
Other expense / (income), net				
Interest income	(0.9)	(0.7)	(0.2)	29%
Interest expense and financing charges	36.6	36.8	(0.2)	(1%)
Other, net	0.3	(4.8)	5.1	(106%)
	36.0	31.3	4.7	15%
Income before income taxes	25.2	30.4	(5.2)	(17%)
Income tax expense	11.5	6.7	4.8	72%
Net income	$ 13.7	$ 23.7	$ (10.0)	(42)%

n/m - not meaningful

	Three months ended March 31, 2025	Three months ended March 31, 2024	Change	% change
Revenues				
Operating revenues	$ 236.0	$ 247.0	$ (11.0)	(4%)
Other revenues	9.7	7.7	2.0	26%
	245.7	254.7	(9.0)	(4%)
Operating costs and expenses				
Operating and maintenance	129.4	149.5	(20.1)	(13%)
Depreciation	21.2	21.3	(0.1)	—%
Amortization of deferred costs	20.2	19.6	0.6	3%
General and administrative	16.8	18.0	(1.2)	(7%)
(Gain) / loss on disposal of assets	(3.1)	1.0	(4.1)	(410%)
	184.5	209.4	(24.9)	(12%)
Operating income	61.2	45.3	15.9	35%
Other expense / (income), net				
Interest income	(0.9)	(0.9)	—	—%
Interest expense and financing charges	36.6	36.8	(0.2)	(1%)
Other, net	0.3	4.2	(3.9)	(93%)
	36.0	40.1	(4.1)	(10)%
Income before income taxes	25.2	5.2	20.0	385 %
Income tax expense	11.5	9.0	2.5	28%
Net income / (loss)	$ 13.7	$ (3.8)	$ 17.5	(461)%

Three months ended March 31, 2025 compared to the three months ended December 31, 2024 and the three months ended March 31, 2025 compared to the three months ended March 31, 2024

Revenues

Total revenues for the three months ended March 31, 2025 increased by $17.1 million compared to the three months ended December 31, 2024 primarily due to three rigs that commenced new contracts in late Q4 2024 and Q1 2025 in Norway, Nigeria and Egypt. This was partially offset by two suspended rigs in Saudi Arabia in late Q4 2024 earning no revenue in Q1 2025.

Total revenues for the three months ended March 31, 2025 decreased by $9.0 million compared to the same period in 2024 primarily due to lower revenues for five suspended rigs in Saudi Arabia and one rig that suffered structural damage in Q2 2024. This was partially offset by higher utilization for two rigs that commenced new contracts in Q3 2024 and Q4 2024 in Vietnam and Norway and one rig in India that operated for the full quarter in Q1 2025, as well as higher dayrate revenues mainly for a previously suspended rig which was redeployed to West Africa under a new long-term contract.

Operating and Maintenance

Total operating and maintenance expenses for the three months ended March 31, 2025 were $129.4 million, or 53% of total revenue, compared to $129.5 million, or 57% of total revenue, in the three months ended December 31, 2024. Total operating and maintenance was relatively unchanged in three months ended March 31, 2025 as compared to the three months ended December 31, 2024.

Total operating and maintenance expenses for the three months ended March 31, 2025 were $129.4 million, or 53% of total revenue, compared to $149.5 million, or 59% of total revenue, in the three months ended March 31, 2024. Total operating and maintenance decreased by $20.1 million primarily due to lower operating costs for three rigs in Nigeria and Saudi Arabia that were retired from the fleet in late 2024 and early Q1 2025, lower expenses on two suspended rigs, and lower contract preparation and maintenance costs for two rigs in Norway and India. This was partially offset by the redeployment costs to Nigeria for two rigs previously suspended in Saudi Arabia and higher operating costs for one rig in Vietnam that commenced a new contract in August 2024.

Depreciation

Depreciation expense was relatively unchanged in the three months ended March 31, 2025 compared to the three months ended December 31, 2024 and the three months ended March 31, 2024.

Amortization of Deferred Costs

Amortization of deferred costs decreased by $6.2 million in the three months ended March 31, 2025 compared to the three months ended December 31, 2024, primarily due to lower amortization for three rigs in Saudi Arabia that were suspended in 2024 and for one rig in India that completed its contract in Q1 2025. This was partially offset by higher amortization for one rig in Nigeria that commenced a new long-term contract in Q4 2024.

Amortization of deferred costs was relatively unchanged in the three months ended March 31, 2025 compared to the same period in 2024.

General and Administrative

General and administrative expenses increased by $1.0 million in the three months ended March 31, 2025 compared to the three months ended December 31, 2024, primarily due to an increase in compensation and benefit expenses in Q1 2025, partially offset by a decrease in provision for credit losses.

General and administrative expenses decreased by $1.2 million in the three months ended March 31, 2025 as compared to the three months ended March 31, 2024, primarily due to lower personnel costs and provision for credit losses in the current period.

Gain on Insurance Recovery

Gain on insurance recovery was $30.9 million in the three months ended December 31, 2024 as compared to nil in the three months ended March 31, 2025 and March 31, 2024. The gain relates to the net insurance proceeds as a result of structural damage on one of the Company's rigs that resulted in the rig being declared a total constructive loss by the Company's insurance underwriters.

Impairment Loss

Impairment loss of $3.9 million in the three months ended December 31, 2024 was primarily due to the impairment of one rig as compared to nil in the three months ended March 31, 2025 and March 31, 2024.

(Gain) / Loss on Disposal of Assets

Gain on disposal of assets increased by $3.8 million and $4.1 million, in the three months ended March 31, 2025 compared to the three months ended December 31, 2024 and three months ended March 31, 2024, respectively, primarily due to the gain on sale of one of the Company's rigs in January 2025.

Other Expense / (Income), Net

Other expense / (income), net increased by $4.7 million in the three months ended March 31, 2025 compared to the three months ended December 31, 2024, primarily due to a gain recognized on certain legal matters in Q4 2024.

Other expense / (income), net decreased by $4.1 million in the three months ended March 31, 2025 compared to the same period in 2024, primarily due to lower foreign exchange losses in the current period.

Income Tax Expense

Income tax expense increased by $4.8 million for the three months ended March 31, 2025 compared to the three months ended December 31, 2024 primarily due to a reduction in deferred tax liabilities in the prior period resulting from lower applicable tax rates; tax expenses recognized under Pillar Two of the OECD global minimum tax framework, which applied to the Company for the first time in the current period; and an increase in liabilities for uncertain tax positions in the current period versus a decrease in such liabilities in the prior period. These increases were partially offset by the impact of prior period adjustments and a taxable loss incurred in a certain jurisdiction in the current period, compared to taxable income in that jurisdiction in the prior period.

Income tax expense increased by $2.5 million for the three months ended March 31, 2025 compared to the same period in 2024 primarily due to tax expense recognized under Pillar Two of the OECD global minimum tax framework, which applied to the Company for the first time in the current period, and increased liabilities for uncertain tax positions, compared to reductions in such liabilities in the prior period due to favorable currency fluctuations. These increases were partially offset by the impact of prior period adjustments, and by a taxable loss incurred in a certain jurisdiction in the current period, compared to taxable income in that jurisdiction in the prior period.

Liquidity and Capital Resources

Sources and Uses of Liquidity

Historically, we have met our liquidity needs principally from cash balances in banks, cash generated from operations, debt and equity. Our primary uses of cash were payments related to debt, capital expenditures, income taxes and to fund operations. At any given time, we may require a significant portion of cash on hand for working capital, capital expenditures and deferred costs and other needs related to the operation of our business. We may consider establishing additional financing arrangements and/or debt extinguishments. Any such transactions will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. See also Material Cash Requirements below.

Going Concern Assumption as Per Oslo Bors Reporting Requirements

Management believes that we have adequate liquidity to fund our operations for the next twelve months, and, therefore, our financial statements have been prepared under the going concern assumption. Additional capital and/or refinancing of our existing debt may be required in the future to meet evolving business needs.

Cash Flows

Certain information regarding our cash flows is as follows (in millions):

	Three months ended March 31		
	2025	2024	Change
Net cash provided by operating activities	$ 49.6	$ 37.4	$ 12.2
Net cash provided by / (used in) investing activities	4.1	(20.2)	24.3
Net cash used in financing activities	(0.4)	(9.7)	9.3
Exchange rate change effect on cash, cash equivalents and restricted cash	0.2	(4.6)	4.8
Net increase in cash, cash equivalents and restricted cash	$ 53.5	$ 2.9	$ 50.6

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased by $12.2 million during the three months ended March 31, 2025 compared to the same period in 2024. See " Condensed Consolidated Statements of Cash Flows" in "Item 1. Financial Statements" for more details.

Net Cash Provided by / (Used in) Investing Activities

Net cash provided by investing activities increased by $24.3 million during the three months ended March 31, 2025 compared to the same period in 2024. See " Condensed Consolidated Statements of Cash Flows" in "Item 1. Financial Statements" for more details.

Net Cash Used in Financing Activities

Net cash used in financing activities decreased by $9.3 million in the three months ended March 31, 2025 compared to the same period in 2024 See " Condensed Consolidated Statements of Cash Flows" in "Item 1. Financial Statements" for more details.

Capital Expenditures and Deferred Costs

Capital expenditures and deferred costs include rig acquisition and other fixed asset purchases, certain expenditures associated with regulatory inspections, major equipment overhauls, contract preparation (including rig upgrades), mobilization and stacked rig reactivations. Capital expenditures and deferred costs can vary from quarter-to-quarter and year-to-year depending upon the requirements of existing and new customers, the number and scope of out-of-service projects, the timing of regulatory surveys and inspections, and the number of rig reactivations. Capital additions are included in property and equipment and are depreciated over the estimated remaining useful life of the assets. Deferred costs are included in other current assets and other long-term assets on the condensed consolidated balance sheets and are amortized over the relevant periods covering: (i) the underlying firm contract period to which the expenditures relate, or; (ii) the period until the next planned similar expenditure is to be made.

Certain Financial Information of Restricted Subsidiaries

The following tables present certain financial information for SDHL excluding unrestricted subsidiaries in relation to our outstanding debt. SDHL and certain of its restricted subsidiaries agreed to grant post-closing guarantees and security with respect to such indebtedness. The process for granting these guarantees and security was completed in December 2023. In addition, the process to arrange for SDHL's restricted subsidiaries in Egypt to grant post-closing guarantees and security is on-going as required under such agreements.

Condensed Consolidated Statements of Operations
(In millions)

	Three months ended March 31	
	2025	**2024**
Revenues		
Operating revenues	$ 167.5	$ 217.6
Other revenues	7.1	6.2
	174.6	223.8
Operating costs and expenses		
Operating and maintenance	94.7	114.2
Depreciation	16.4	16.7
Amortization of deferred costs	15.8	19.5
General and administrative	11.8	13.4
(Gain) / loss on disposal of assets	(3.1)	1.0
	135.6	164.8
Operating income	39.0	59.0
Other expense / (income), net		
Interest income	(1.1)	(0.6)
Interest expense and financing charges	28.3	29.5
Other, net	(0.4)	4.5
	26.8	33.4
Income before income taxes	12.2	25.6
Income tax expense	8.4	8.6
Net income / (loss)	$ 3.8	$ 17.0

Condensed Consolidated Balance Sheets
(In millions)

	As of	
	March 31, 2025	December 31, 2024
Assets		
Cash and cash equivalents	$ 171.7	$ 130.8
Accounts and other receivables	177.9	191.1
Less: Allowance for credit losses	7.7	7.1
Accounts and other receivables, net	170.2	184.0
Accounts and other receivables, net - related parties	14.6	11.3
Assets held for sale	—	6.6
Loan to related party	10.0	10.0
Other current assets	75.9	78.2
Total current assets	442.4	420.9
Property and equipment	1,689.7	1,686.2
Less: Accumulated depreciation	679.1	663.4
Property and equipment, net	1,010.6	1,022.8
Deferred tax assets	6.1	6.7
Other long-term assets	325.5	334.5
Total assets	$ 1,784.6	$ 1,784.9
Liabilities and equity		
Accounts payable	$ 72.9	$ 74.9
Accounts payable - related parties	5.3	81.3
Interest payable	46.6	21.5
Accrued income taxes	10.4	16.9
Current maturities of long-term debt	75.0	99.9
Other current liabilities	48.6	71.8
Total current liabilities	258.8	366.3
Long-term debt	977.6	950.9
Deferred tax liabilities	1.8	1.9
Other long-term liabilities	50.9	52.4
Total long-term liabilities	1,030.3	1,005.2
Commitments and contingencies		
Additional paid-in capital	1,083.7	1,005.4
Accumulated losses	(588.2)	(592.0)
Total equity	495.5	413.4
Total liabilities and equity	$ 1,784.6	$ 1,784.9

Material Cash Requirements

In the normal course of business, we enter into various contractual obligations that impact or could impact our liquidity. As of March 31, 2025 our anticipated material cash requirements consisted primarily of payments related to debt servicing and repayments, operating costs and expenses, operating lease obligations, capital expenditures and deferred costs and income taxes.

As of March 31, 2025, we had a total principal amount of indebtedness of $1.4 billion. See Note 7 – Debt in “Item 1. Financial Statements” of “Part I. Financial Information” for a summary of scheduled debt principal payments.

Contingencies

As of March 31, 2025, we are not exposed to any contingent liabilities that are expected to result in a material adverse effect on the current consolidated financial position, results of operations or cash flows. The majority of the contingent liabilities that we are exposed to relate to legal proceedings, certain contractual and customs obligations secured by surety bonds and bank guarantees and uncertain tax positions. See “Note 9 – Commitments and Contingencies” and “Note 11 – Income Taxes” in “Item 1. Financial Statements” of “Part I. Financial Information” for discussion of any material changes in our contingent liabilities from those previously reported in our Form 10-K Equivalent for the year ended December 31, 2024.

Critical Accounting Policies and Estimates

For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” in Part II. of our Form 10-K Equivalent for the year ended December 31, 2024. See also “Note 2 – Significant Accounting Policies” in “Item 15. Exhibits” in Part II. of our Form 10-K Equivalent for the year ended December 31, 2024 for a discussion of our significant accounting policies. During the three months ended March 31, 2025, there were no material changes to the judgments, assumptions or policies upon which our critical accounting estimates are based.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including liquidity risk, interest rate risk, foreign currency risk and credit risk. During the three months ended March 31, 2025, there were no material changes to the Company’s qualitative and quantitative market risk.

For a complete discussion of these risks, see “Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Form 10-K Equivalent for the year ended December 31, 2024.

Item 4. Controls and Procedures

We are not required to report this Item.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding legal proceedings is set forth in "Note 9 – Commitments and Contingencies" in "Item 1. Financial Statements" of Part I. Financial Information".

Item 1A. Risk Factors

The information set forth under the caption "Forward-looking Information" in "Part I. Item 2. Management's Discussion and Analysis" of this report is incorporated by reference in response to this Item and there have been no material changes from the risk factors previously disclosed in the Company's Form 10-K Equivalent for the year ended December 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Material agreements governing indebtedness can be found on our website at www.shelfdrilling.com in the investor relations section under financial reports, key documents.