

27 November 2019

Q3 2019 trading statement

Unless otherwise stated, comments in this statement refer to Q3 2019 performance (Q2 2019)

Performance highlights

- Revenue of USD 294m (USD 315m)
- Financial uptime of 98.2% (98.9%)
- Number of contracted days of 1,608 corresponding to utilisation of 76% (1,704 contracted days corresponding to utilisation of 82%)
- Average day rate of USD 183k (USD 185k)
- Secured contracts in Q3 2019 with a total contract value of USD 103m
- Revenue backlog as of 30 September 2019 of USD 2.2bn (USD 2.3bn) with a forward contract coverage for the remaining part of 2019 of 71%
- Since end of Q3 2019, six additional contracts with a total value of USD 126m have been secured

Guidance 2019

The full-year guidance for 2019 is as follows:

- Profit before depreciation and amortisation, impairment losses/reversals and special items (EBITDA before special items) is expected to be around USD 400m (unchanged)
- Capital expenditures are now expected to be around USD 300m (previously in the level of USD 300-350m)

The reduced forecast for capital expenditures is due to the timing of 5-yearly SPS yard stays and lower than expected expenditures on completed yard stays.

"Our 2019 performance remains on track and we maintain our full-year profit guidance. We continue to see a recovering market although the duration of new contracts remains relatively short. I am pleased that we have secured several new contracts at improved day rate levels."

Jørn Madsen

Chief Executive Officer

Revenue and business drivers

	Jack-up rigs	Floaters	Total
Q3 2019			
Revenue (USDm)	209	84	294
Contracted days	1,196	412	1,608
Available days	1,380	725	2,105
Utilisation	87%	57%	76%
Average day rate (USDk)	175	204	183
Financial uptime	99.1%	95.8%	98.2%
Revenue backlog (USDm)	1,377	774	2,151
Q2 2019			
Revenue (USDm)	200	114	315
Contracted days	1,165	539	1,704
Available days	1,353	728	2,081
Utilisation	86%	74%	82%
Average day rate (USDk)	171	213	185
Financial uptime	99.7%	97.2%	98.9%
Revenue backlog (USDm)	1,480	860	2,340

Q3 2019 performance

Revenue for Q3 2019 of USD 294m (USD 315m) was driven by higher utilisation and average day rates in the jack-up segment while the floater segment showed lower utilisation and lower average day rates as expected.

The financial uptime was 98.2% compared to 98.9% in Q2 2019, negatively impacted by repair down-time in the floater segment.

The total number of contracted days was 1,608 compared to 1,704 days in Q2 2019, resulting in utilisation of 76% compared to 82% in the second quarter of 2019.

The average day rate of USD 183k per day in the third quarter of 2019 was almost unchanged from USD 185k per day in the second quarter, as lower rates in the floater segment due to the expiry of legacy contracts were almost entirely offset by higher rates in the jack-up segment.

Jack-up segment

Revenue within the jack-up segment of USD 209m in Q3 2019 was a slight improvement from USD 200m in Q2 2019 with 1,196 contracted days (1,165 days) out of 1,380 available days (1,353 days) leading to a continued high utilisation of 87% (86%). Financial uptime remained high at 99.1% compared to 99.7% in Q2 2019.

The average day rate was slightly higher at USD 175k in Q3 2019 compared to USD 171k in Q2 2019, mainly driven by Maersk Integrator receiving a standby-rate for most of June while preparing for drilling operations to commence under its new contract with Aker BP, Norway.

Floater segment

Revenue within the floater segment was USD 84m in Q3 2019 compared to USD 114m in Q2 2019, negatively impacted by lower utilisation and the Maersk Discoverer starting a new contract at a lower rate driving a decrease in the average floater day rate to USD 204k in Q3 2019 from USD 213k in Q2 2019.

With 412 contracted days (539 days) out of 725 available days (728 days), the floater segment had a utilisation of 57% (74%), negatively impacted by Maersk Viking and Mærsk Deliverer coming off contracts.

The financial uptime was 95.8% compared to 97.2% in Q2 2019, negatively impacted by repair down-time.

Revenue backlog

As of 30 September 2019, the revenue backlog amounted to USD 2.2bn (30 June 2019: USD 2.3bn). During Q3 2019, contracts were secured with a total value of USD 103m.

Maersk Resilient was awarded a one-well contract with IOG in the UK. The contract has since concluded. Further, Maersk Resilient was awarded a 70-day contract with Petrogas in the UK with expected commencement in March 2020.

Maersk Resolute was awarded a three-well contract with Perenco in the UK with an estimated duration of 150 days plus eight one-well options which, if exercised, have a total estimated duration of 365 days.

Equinor has exercised two options of two months each to have Maersk Intrepid continue working as an accommodation unit at the Martin Linge field offshore Norway. In addition, the parties have signed a further two-month extension in direct continuation of Maersk Intrepid's current contract, which in total will keep the rig on contract until the end of August 2020. The options and extension have a total firm contract value of USD 60m, equal to a day rate of around USD 330k.

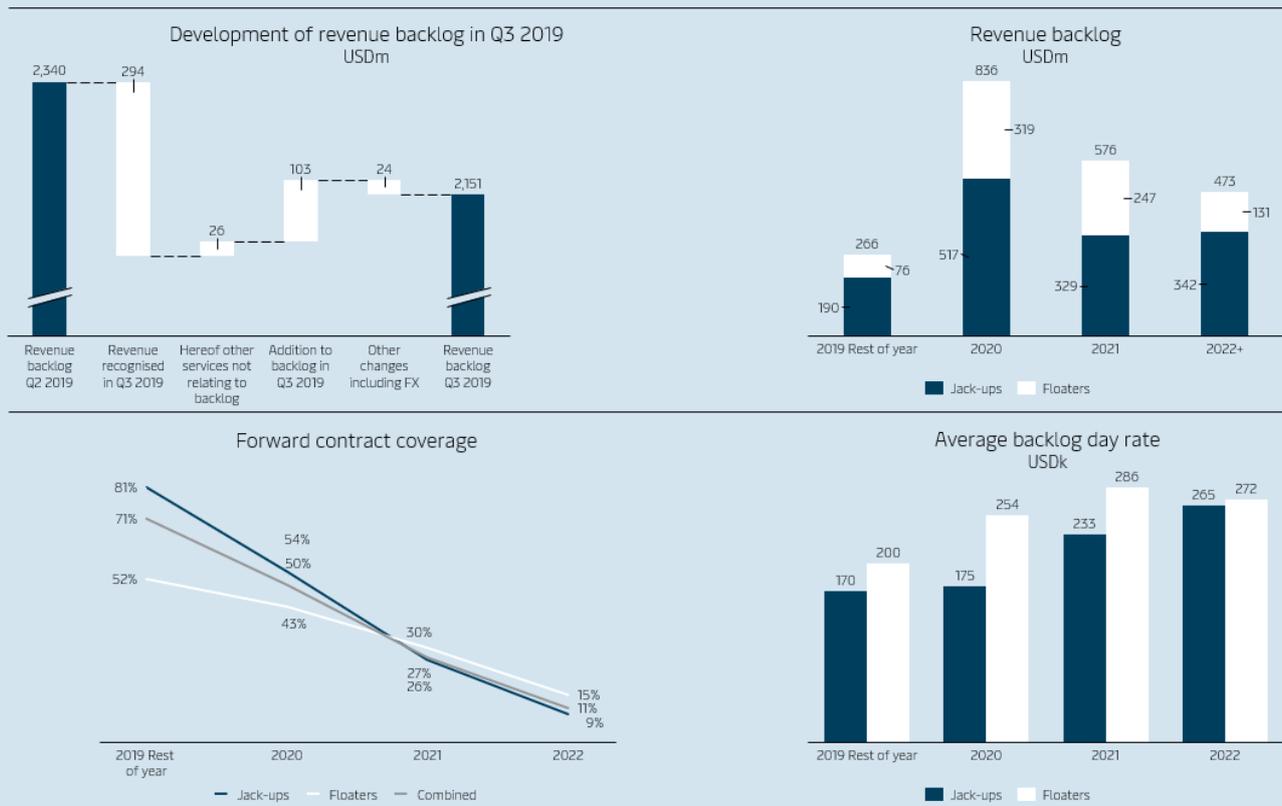
Wintershall Noordzee extended the contract for the Maersk Resolve for an additional well with an estimated duration of 96 days. Expected commencement is March 2020 in direct continuation of the rig's current work scope. In addition, Wintershall Noordzee exercised an option for one well with an estimated duration of 103 days keeping the rig working until end-Q3 2020.

At 30 September 2019, the forward contract coverage was 71% for the remaining part of 2019 and 50% for 2020. The coverage for the remaining part of 2019 was 81% for the jack-up segment and 52% for the floater segment, respectively. Given the current market rates in the floater segment, only selected long-term contracts are entered into while the majority of the fleet is deployed through shorter term contracts.

At 30 September 2019, the average backlog day rates for the remaining part of 2019 were USD 170k for the jack-up segment and USD 200k for the floater segment, respectively. The average backlog day rates are gradually improving in subsequent years, especially in the floater segment, reflecting our current contracting strategy for the floating rigs.

Since end of Q3 2019, six additional contracts with a total value of USD 126m have been secured.

Detailed contract information and planned out-of-service time for the rig fleet is provided in the fleet status report dated 27 November 2019 and made available at Maersk Drilling's Investor Relations website at investor.maerskdrilling.com.



New organisational set-up

On 20 September Maersk Drilling announced organisational changes to accelerate the drive for end-to-end service delivery and operational efficiency. The Operations, Commercial and Technical functions were integrated into one joint Operations function Headed by Chief Operating Officer, Morten Kelstrup. As a consequence of the changes, the previous Chief Operating Officer, Angela Durkin, stepped down and former Chief Technical Officer Frederik Smidth transitioned to head up Integrity & Projects in the new Operations function. Brian Nygaard remains Head of Global Business Solutions, now reporting to the Chief Financial Officer.

Following the changes, Maersk Drilling's Executive Leadership Team consists of:

- Jørn Madsen, Chief Executive Officer
- Jesper Ridder Olsen, Chief Financial Officer
- Morten Kelstrup, Chief Operating Officer
- Nikolaj Svane, Chief Strategy & People Officer

The registered Executive Management remains to be the Chief Executive Officer and the Chief Financial Officer.

Market update

During Q3 2019, the North Sea jack-up market remained well-balanced with marketed utilisation of 94% and day rates continued to trend higher. Based on current backlog as well as tender activity and bilateral customer dialogues, the overall North Sea market is expected to remain well-balanced. In Norway, a significant number of discoveries are currently under evaluation, which are expected to drive demand for jack-up rigs over the coming years. Maersk Drilling is currently engaged in several direct negotiations with customers for opportunities with longer duration commencing in 2021, while the opportunities in 2020 are relatively few with short durations. In UK and Netherlands, there are several opportunities commencing in 2020 and 2021 with both short and longer term durations.

During the quarter, the marketed utilisation in the global floater market remained unchanged at around 80%. Opportunities for modern floaters with long duration are becoming more frequent as more development projects mature, but the majority of floater tenders remain short in nature. Day rates for modern floaters are trending higher, though still at a relatively slow pace.

Guidance for 2019

The full-year guidance for 2019 is as follows:

- Profit before depreciation and amortisation, impairment losses/reversals and special items (EBITDA before special items) is expected to be around USD 400m (unchanged)
- Capital expenditures are now expected to be around USD 300m (previously in the level of USD 300-350m)

The reduced forecast for capital expenditures is due to timing of 5-yearly SPS yard stays and lower than expected expenditures on completed yard stays. Guidance for 2020 will be provided in the Annual Report for 2019 expected to be released on 5 February 2020.

Webcast

In connection with the release of the Q3 2019 trading statement, Maersk Drilling Executive Management will host a conference call on Wednesday 27 November 2019 at 10:00 a.m. CET. The conference call can be followed live via webcast. The presentation for the conference call will be available beforehand on: <https://investor.maerskdrilling.com/financial-reports-presentations>

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Forward-looking statements

This announcement contains certain forward-looking statements (being all statements that are not entirely based on historical facts including, but not limited to, statements as to the expectations, beliefs and future business, contract terms, including commencement dates, contract durations and day rates, rig availability, financial performance and prospects of The Drilling Company of 1972 A/S, hereinafter referred to as "Maersk Drilling" or "the Company"). These forward-looking statements are based on our current expectations and are subject to certain risks, assumptions, trends and uncertainties that could cause actual results to differ materially from those indicated by the forward-looking statements due to external factors, including, but not limited to, oil and natural gas prices and the impact of the economic climate; changes in the offshore drilling market, including fluctuations in supply and demand; variable levels of drilling activity and expenditures in the energy industry; changes in day rates; ability to secure future contracts; cancellation, early termination or renegotiation by our customers of drilling contracts; customer credit and risk of customer bankruptcy; risks associated with fixed cost drilling operations; unplanned downtime; cost overruns or delays in transportation of drilling units; cost overruns or delays in maintenance, repairs, or other rig projects; operating hazards and equipment failure; risk of collision and damage; casualty losses and limitations on insurance coverage; weather conditions in the Company's operating areas; increasing costs of compliance with regulations; changes in tax laws and interpretations by taxing authorities, hostilities, terrorism, and piracy; impairments; cyber incidents; the outcomes of disputes, including tax disputes and legal proceeding; and other risks disclosed in Maersk Drilling's Annual Reports and company announcements. Each forward-looking statement speaks only as of the date hereof, and the Company expressly disclaims any obligation to update or revise any forward-looking statements, except as required by law.