AGM Minutes

The Drilling Company of 1972 A/S

Annual General Meeting – 2 April 2020

On 2 April 2020 at 10.00 AM (CEST) the Annual General Meeting of The Drilling Company of 1972 A/S (the "Company") was held at the Company's headquarters, Lyngby Hovedgade 85, 2800 Kgs. Lyngby, Denmark.

The Annual General Meeting was convened with the following agenda:

1. The Board of Directors' report on the Company's activities in 2019

2. Presentation and adoption of the Annual Report for 2019

3. Distribution of profit or covering of loss according to the adopted annual report

4. Resolution to grant discharge of liability to the Board of Directors and Executive Management

5. Approval of remuneration of the Board of Directors for 2020

6. Election of Chairman of the Board of Directors

7. Election of other members of the Board of Directors

8. Election of auditor

9. Proposals from the Board of Directors
   a. Amendment to the Articles of Association
   b. Adoption of updated Remuneration Policy

10. Any other business

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In order to comply with the Danish authorities' instructions and precautions prompted by the COVID-19 situation, the Company had requested all shareholders not to attend the Annual General Meeting in person but instead to follow the full Annual General Meeting through webcast.

The Chairman of the Board of Directors, Claus V. Hemmingsen, welcomed the shareholders following the Annual General Meeting both in person and by means of the live webcast transmission of the Annual General Meeting.

The Chairman of the Board of Directors then informed the general meeting that the Board of Directors had elected Niels Kornerup, attorney-at-law, as Chairman of the Meeting in accordance with Article 4.7 of the Articles of Association.

The Chairman of the Meeting presented the legal basis for convening the Annual General Meeting set out in the Danish Companies Act and the Company's Articles of Association.

Furthermore, the Chairman of the Meeting explained that the venue of the annual general meeting had been changed from K.B. Hallen to the Company's headquarters in Lyngby due to the COVID-19 situation.

The change of venue had been communicated publicly and directly to all shareholders who had requested admissions cards.

The Chairman of the Meeting then informed that 1 shareholder was present at the Annual General Meeting. The Company's auditor was present (by means of remote access) in accordance with section 103(4) of the Danish Companies Act.

Based on the foregoing, the Chairman of the Meeting stated that the Annual General Meeting had been duly and lawfully convened and that the Annual General Meeting was legally competent to transact the items comprised by the agenda of the Annual General Meeting.

The Chairman of the Meeting stated that 59,87 % of the share capital and votes were represented at the Annual General Meeting. The Board of Directors had received proxies and postal votes representing 24,863,964 votes, corresponding to close to 100,00 % of the votes represented at the Annual General Meeting.

Lastly, the Chairman of the Meeting stated that no complete account according to section 101(5) of the Danish Companies Act was being made for the Annual General Meeting.

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Item 1 – The Board of Directors' report on the Company's activities in 2019

Item 2 – Presentation and adoption of the Annual Report for 2019

Item 3 – Distribution of profit or covering of loss according to the adopted annual report

Item 4 – Resolution to grant discharge of liability to the Board of Directors and Executive Management

The Chairman of the Meeting gave the floor to the Chairman of the Board of Directors, Claus V. Hemmingsen, who presented the Board of Directors' report on the Company's activities in 2019, the Annual Report for 2019 and the proposal for appropriation of the result for 2019 according to the Annual Report for 2019. Claus V. Hemmingsen's presentation is attached as *appendix 1*.

The Chairman of the Board of Directors summarised the Company's dividend policy as further described in the Annual Report for 2019, including a target leverage ratio of around 2.5x. As of 31 December 2019, the leverage ratio was 2.6x and therefore, the Company did not propose any dividends. The loss for 2019 would be carried forward.

The Chairman of the Meeting thanked the Chairman of the Board of Directors for the presentation. As mentioned by the Chairman of the Board of Directors, the Chairman of the Meeting noted that the Company had revised its financial guidance for 2020 as set out in the Company's company announcement no. 3/2020 published on 20 March 2020.
The Chairman of the Meeting explained that the financial guidance was specifically revised with respect to the Company's guidance on EBITDA before special items which was reduced to USD 325-375 from

originally USD 400-450. The revised financial guidance deviated from information on the Company's EBITDA guidance set out on page 12 of the Annual Report for 2019.

The Chairman of the Meeting stated that the Annual Report for 2019 had been signed by the Board of Directors, the Executive Management and the Company's auditor and provided with an unqualified audit report as set out on pages 93–96 of the Annual Report for 2019.

The Chairman of the Meeting then stated, with the consent of the general meeting, that the general meeting:

1. Had taken account of the Board of Directors' report on the Company's activities in 2019.
2. Had adopted the Annual Report for 2019.
3. Had adopted the appropriation of the result for 2019 according to the Annual Report for 2019.
4. Had adopted the proposal to grant discharge of liability for the Board of Directors and Executive Management.

Item 5 – Approval of remuneration of the Board of Directors for 2020

The Chairman of the Meeting presented the Board of Directors' proposal on approval of remuneration of the Board of Directors for the financial year 2020. The Chairman of the Meeting explained that the proposed fee was unchanged compared to the financial year of 2019 and that the specific fees were proposed to be fixed as follows:

- That ordinary members of the Board of Directors were each paid an annual base fee of DKK 450,000.
- That the Vice Chairman of the Board of Directors was paid an annual fee of DKK 900,000, equivalent to 2 times the base fee.
- That the Chairman of the Board of Directors was paid an annual fee of DKK 1,350,000, equivalent to 3 times the base fee.
- That the supplementary remuneration for the chairman and the ordinary members of the Board Committees were maintained at the remuneration level for the financial year of 2019 as set out in the notice convening the Annual General Meeting and that no members of the Nomination Committee would receive supplementary remuneration for work related to the Nomination Committee.

The Chairman of the Meeting stated, with the consent of the general meeting, that the remuneration of the Board of Directors for the current financial year, 2020, was approved.

Item 6 – Election of Chairman of the Board of Directors

The Chairman of the Meeting stated that the Board of Directors proposed to re-elect Claus V. Hemmingsen as Chairman of the Board of Directors.

The Chairman of the Meeting referred to appendix 1 of the notice convening the Annual General Meeting for information on the management level positions held by Claus V. Hemmingsen. Furthermore, the Chairman of the Meeting informed that Claus V. Hemmingsen (as set out in the notice convening the Annual General Meeting) was not considered independent in accordance with the Danish Recommendations on Corporate Governance and that after the publication of the notice convening the Annual General Meeting, Claus V. Hemmingsen had been elected as member of the board of directors of A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til Almene Formaal (The A.P. Moller Foundation) and that Claus V. Hemmingsen was expected to be elected as member of the board of directors of A.P. Møller Holding A/S on 20 April 2020.

There were no other candidates for the position as Chairman of the Board of Directors, and Claus V. Hemmingsen was elected for a one-year period.

Item 7 – Election of other members of the Board of Directors

The Chairman of the Meeting presented item 7 of the agenda and gave the floor to Chairman of the Board of Directors, Claus V. Hemmingsen.

The Chairman of the Board of Directors explained that the Board of Directors had established four board committees comprising the Audit & Risk Committee, the Remuneration Committee, the Nomination Committee and the Safety & Sustainability Committee in order for the committees to report and make recommendations to the Board of Directors on the specific matters assigned to them.

The Charmain of the Board of Directors also presented the Board of Directors' self-evaluation which had been carried out internally by way of a written questionnaire followed by discussions on the conclusions. The self-evaluation had revealed sound performance by the Board of Directors and good cooperation as between the Board of Directors and the Executive Management. Furthermore, the self-evaluation had confirmed the importance of continued focus on the composition of the Board of Directors to ensure diversity in a broad perspective, including qualifications and competencies as well as international experience, nationality and gender.

The Chairman of the Board of Directors stressed that the Company strived towards diversity and that the Company's overall ambition was to work towards an equal gender composition of the Board of Directors. Specifically, the Company's target was to compose the Board of Directors to the effect that two members of the Board of Directors (elected by the general meeting) were female no later than at the annual general meeting in 2022 and that at least 1/3 of the Board of Directors should be non-Danish citizens.

The Chairman of the Board of Directors then presented the Board of Directors' proposal to re-elect:

- Robert M. Uggla
- Alastair Maxwell
- Kathleen McAllister
- Martin Larsen

Furthermore, the Chairman of the Board of Directors presented the Board of Directors' proposal to elect the following candidates as new members of the Board of Directors:

- Kristin H. Holth
- Ann-Christin G. Andersen

The Chairman of the Meeting referred to appendix 1 of the notice convening the Annual General Meeting and to the Company's company announcement no. 2/2020 for information on the management level positions held by the candidates.

There were no other candidates for the position as member of the Board of Directors, and Robert M. Uggla, Alastair Maxwell, Kathleen McAllister, Martin Larsen, Kristin H. Holth and Ann-Christin G. Andersen were all elected for a one-year period.

Accordingly, the Board of Directors was composed by the following members:

- Claus V. Hemmingsen (Chairman)
- Robert M. Uggla
- Alastair Maxwell
- Kathleen McAllister
- Martin Larsen
- Kristin H. Holth
- Ann-Christin G. Andersen
- Glenn Gormsen (Employee representative)
- Caroline Alting (Employee representative)

Item 8 – Election of auditor

The Chairman of the Meeting presented the Board of Directors' proposal to re-elect PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab as auditor of the Company.

The Chairman of the Meeting stated that the proposal was made in accordance with a recommendation provided by the Company's Audit Committee which had not been affected by third parties and which had not been subject to any agreement with a third party limiting the general meeting's election of auditor.

As there were no other candidates for the position as auditor of the Company, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab was re-elected as the Company's auditor.

Item 9 – Proposals from the Board of Directors

Item 9a – Amendment to the Articles of Association

The Chairman of the Meeting presented the Board of Directors' proposal to amend Article 5.1 of the Articles of Association due to new statutory requirements set out in Section 139b of the Danish Companies Act on adoption of the Company's annual remuneration report.

The proposal implied that the following wording would be added to Article 5.1 as a new sub-section d and that the consecutive numbering of the following sub-sections of Article 5.1 would be amended in consequence hereof:

"*d. Presentation and adoption of the annual remuneration report.*"

With consent from the general meeting, the Chairman of the Meeting stated that the proposal was adopted.

Item 9b – Adoption of updated Remuneration Policy

The Chairman of the Meeting presented the Board of Directors' proposal to update the Company's Remuneration Policy in accordance with the draft Remuneration Policy appended as appendix 2 to the notice convening the Annual General Meeting.

The Chairman of the Meeting stated that the updated Remuneration Policy did not contain any substantive changes to the current Remuneration Policy, except for the addition of a share ownership requirement applicable to the members of the Board of Directors.

With consent from the general meeting, the Chairman of the Meeting stated that the proposal was adopted.

Item 10 – Any other business

No contributions were made under item 10.

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There being no further items on the agenda, the Chairman of the Meeting thanked the shareholders for a practical and efficient execution of the general meeting and resigned as Chairman of the Meeting.

Claus V. Hemmingsen thanked the shareholders for their trust and support and the Chairman of the Meeting for conducting the Annual General Meeting.

The Chairman of the Board of Directors then declared the Annual General Meeting closed.

Niels Kornerup
Chairman of the Meeting

Report on the company's activities in 2019

Presented by Claus V. Hemmingsen, Chairman of the Board of Directors, at Maersk Drilling's Annual General Meeting, 2 April 2020

Dear shareholders,

It is a great privilege for me to welcome you all to our Annual General Meeting. It's the first Annual General Meeting for Maersk Drilling and it's the first for me as Chairman of the Board.

We had never imagined that our first Annual General Meeting should be held in the shadows of a global pandemic. We had indeed hoped for a more direct shareholder interaction and for a more festive and informative setting. As we all know that was not to be. Under the circumstances I wish to thank our shareholders for observing the need to limit physical presence and for following this Annual General Meeting by modern digital means.

For the same reason, the representation from the Board and Management at this meeting has been limited to a strict minimum.

There are other obvious consequences of the COVID-19 pandemic, such as the impact on our business and our share price. I will address this later.

However, before the meeting formally begins, I wish to take a moment to send a deepfelt thank you to all the employees and colleagues in Maersk Drilling. I'm impressed with the resilience of the organisation and with the professionalism and well-measured calmness that both on- and offshore employees have displayed over the past weeks as they have dealt with the impact of COVID-19. The current situation has put the entire organisation to the test, and I am truly grateful for all your efforts to maintain a safe and efficient operation.

This includes the proactive emergency preparations, the business continuity planning, the sacrifices made by individuals on- and offshore working under adverse circumstances, and not least the handling of actual virus impacts. All in all, you help secure our ongoing services to our customers and thereby the ongoing energy supply and the safekeeping of Maersk Drilling.

Thank you all and thank you to Management – well done!

To proceed with the formal meeting, Niels Kornerup from the law firm Bech-Bruun has accepted to lead the meeting, making sure that it is conducted according to the Articles of Association and Danish company law. For those of you who have previously participated in the A.P. Moller – Maersk general meetings, Niels is a familiar face and you will know that we are in good hands.

I will now go through the year and - as is customary when we present our financial figures and data from external sources - let me draw your attention to the formalities displayed on the slide.

During the course of the Annual General Meeting, certain forward-looking statements may be made regarding various matters related to our business and company that are not historical facts. Such statements are based upon the current expectations and certain assumptions and are therefore subject to certain risks and uncertainties. Many factors could cause actual results to differ materially.

When I stand here today and look back at the past year, it is remarkable how the situation has changed over the last few weeks. I am sure we all feel that in our daily lives. The spread of the coronavirus has put the global society under maximum pressure with depressed economic activities and a significant decline in the demand for fossil fuels. When you add the collapse of the wider OPEC alliance regarding the global production of oil and gas, we have the perfect storm in the current oil markets. And thereby also for a company like Maersk Drilling. At this moment, nobody knows how long-lived the crisis will be, but the impact will be significant. I will come back to this later in my presentation.

However, the gloom of today should not overshadow that 2019 was a truly remarkable year for our company. After months of preparation, we carried out the listing of Maersk Drilling as a separately listed company on 4 April 2019. When the bell rang on Nasdaq Copenhagen, Maersk Drilling was the largest newly listed company on the Danish stock exchange in recent history. And more importantly, Maersk Drilling was the first company of its kind on the exchange, offering a new opportunity to invest in a different type of Danish equity.

As background information for those shareholders less familiar with the newly listed entity, let me provide a few brief facts about our company:

Maersk Drilling provides offshore drilling services to the oil and gas companies with high-quality wells established in a safe, efficient and reliable way. In 2019, we generated a total revenue of 1.2 billion dollars and an EBITDA before special items of 415 million dollars. Maersk Drilling has 22 offshore drilling rigs and approximately 2,850 skilled employees. We have expanded our activities to oil and gas fields offshore most continents, establishing ourselves as one of the preferred drillers for some of the most demanding drilling operations in the world.

Maersk Drilling was born in the North Sea in 1972. The establishment of Maersk Drilling was a natural outcome of the growing oil and gas activities of A.P. Moller – Maersk, and, over the years, we have benefitted tremendously from being part of the Maersk Group. We have drawn on the skills and international mindset of one of the world's leading industrial conglomerates, and this has provided a solid foundation for our life as a separately listed company.

In our new existence as a stand-alone entity, we continue to build on the strong heritage and values that we share with other Maersk companies. The values guide us in our strategic choices as well as in our daily operations. We want to act responsibly towards our employees, our shareholders and society at large. Whether it's about protecting the marine environment, ensuring decent working conditions or contributing to economic growth in developing countries our corporate social responsibility is an integral part of how we do business.

Based on our commitment to contribute to the United Nations' goals for sustainable development, the so-called SDGs, we have mapped the areas where our business has the greatest impact. I would like to zoom in on one area of particular interest to Maersk Drilling as well as to our customers and shareholders: Climate and energy.

The world of energy production is undergoing a profound transformation these years. In light of the climate change, there is an ever-increasing focus on reducing greenhouse gas levels in the atmosphere. Maersk Drilling is fully committed to taking our share of responsibility in this respect.

We believe there is a significant number of initiatives through which we can contribute in the coming years as the world transitions towards a low-emission society. We are convinced that the transition will not happen overnight. It will take time, and there's a profound role to play for companies such as Maersk Drilling.

Firstly, because many of the crucial needs of today's modern society are still best solved using oil and gas. For many materials, there are no adequate substitutes currently available on a global scale. If it wasn't for petrochemicals, global trade would be slowed, air travel would stop, and asphalt for roads would no longer be available – just to give a few examples.

A more profound example is the supply of energy needed to continue to lift millions and millions of people in the developing world out of poverty through education, health improvements and thereby availability of jobs and increased living standards - often provided through the benefits of world trade.

Secondly, if we disregard the current macro-economic situation which, in the short term, is likely to cause a decline, the demand for energy is still on a growing trend. Especially in countries on the verge of acquiring a taste for modern conveniences that we in the Western countries tend to take for granted. This force is significant. On the slide, you see the latest energy scenarios from the International Energy Agency. Even in the most ambitious transition scenario, to the far right, which is fully in line with the Paris Agreement, oil and gas continues to be a major part of the energy mix all the way into 2040.

In this transition Maersk Drilling can make a significant difference and create value.

Our role is to play our part to ensure that society's need for oil and gas is met in a responsible way and with the lowest possible carbon footprint.

According to studies from Norway, around 5 per cent of the carbon footprint from the up- and midstream parts of the entire value chain come from drilling activities – a small, but not insignificant share. Together with our customers, Maersk Drilling can contribute to the overall decarbonisation of the oil and gas sector by reducing the energy consumption and thereby emissions during drilling operations.

In these very troubled times for the oil and gas industry, it is important to keep in mind the long-term perspectives. There's no doubt that the near-term economic growth is challenged and thereby also the demand for energy in general. However, the world needs to - and is expected to - get on to a path of recovery followed by growth. This will be expected to lead to an increase in energy demand. With oil and gas continuing to constitute a significant part of the energy mix for decades to come, we continue to see significant opportunities for offshore drilling services. The challenge for the oil and gas sector will be to deliver the needed barrels at lower cost and with a lower carbon footprint. Maersk Drilling is in a good position to spearhead this development!

Maersk Drilling's favourable position rests on three main pillars:

Through years of technological innovation, we have built one of the most technically capable rig fleets in the world. A cornerstone in this fleet is our so-called CJ70 jack-ups, the biggest and most technically advanced rigs in the world. These rigs offer unparalleled efficiency to our customers and secures premium day rates and utilisation to Maersk Drilling.

Furthermore, over the years, we have built solid customer relationships, which have enabled us to explore new business models which are aimed at aligning incentives across all parties involved in a drilling campaign and at increasing efficiency. Not only will this continued focus on increasing efficiency help to reduce the time and cost to drill a well, it will also significantly reduce CO_2 emissions from the drilling campaign.

Finally, our long-standing customer relationships have also helped build a contract backlog which by year-end stood at 2.1 billion US dollars. In the wake of the corona crisis and the mentioned OPEC misalignment, we last week received a contract termination of the Maersk Venturer with a value of 175 million dollars, but the backlog remains large and provides a good amount of financial visibility. In addition, our strong balance sheet secures our financial flexibility.

In 2019, these strategic pillars served us well on many levels.

Let us now look at how our financial performance in 2019 benefitted from this position of strength.

As expected, when entering the year, our revenue and profitability was lower than in 2018 due to the expiration of some very profitable long-term contracts that were signed several years ago in a much more positive market – what we call legacy contracts. Our revenue ended at 1.2 billion dollars in 2019 which was a decrease of 14 per cent compared to 2018.

At the bottom of the slide, you see the main business drivers impacting our top- and bottom-line, namely the day rates, the days at work, utilisation and our financial uptime.

The most impactful in 2019 was the day rate development where we saw a decline in our average day rate from 237,000 dollars in 2018 to 194,000 dollars in 2019. However, in the fourth quarter of 2019 we saw, for the first time in years, a quarter-on-quarter increase in the average day rates - a sign of the recovering market. And even though this is only one data point, we are very pleased to see a breaking of the downward trend. The average duration of the contracts is, however, still relatively short.

Our fleet utilisation is the other big factor determining our revenue, and here we managed to keep the fleet well occupied in 2019. At 77 per cent, total utilisation increased by 8 percentage points compared to 69 per cent in 2018.

To be fully paid by our customers, we have to make sure that our rigs can work 24/7 without engine failure or other technical issues. This is expressed in the financial uptime.

With a financial uptime of 98.9 per cent we, once again, confirmed our ability to perform close to flawless drilling operations for the customers to the benefit of the overall drilling campaign efficiency. Our jack-ups performed particularly well with a financial uptime of 99.6 per cent.

The decline in revenues was partly offset by lower costs, ending at 807 million dollars. Costs were negatively impacted by an increase in sales, general and administrative costs, reflecting the impact of new functions added to the organisation to support Maersk Drilling as a stand-alone listed company. Costs related to innovation increased by 10 million dollars, reflecting our continued investment in new business models.

We reported earnings before interest, tax, depreciation and amortisation and special items, also known as EBITDA before special items, of 415 million dollars. This was in line with our guidance for the year of around 400 million dollars.

Impairment losses amounted to 34 million dollars related to the sale of the jack-up rig formerly known as the Maersk Completer.

Following the 1.5-billion-dollar debt financing raised towards the end of 2018, net financial expenses increased to 68 million dollars in 2019 compared with 12 million dollars in 2018. The average funding costs, excluding fees, were around 5 per cent in 2019.

Tax expense for the year amounted to 29 million dollars compared to 48 million dollars in 2018. This is a reflection of the lower result.

Net loss for the year was 113 million dollars, reflecting the lower EBITDA and higher financial expenses compared to the previous year. In 2018, the profit was, furthermore, positively impacted by a major reversal of previously recognised impairment losses.

Included in above figures is remuneration to management.

2019 was the first year of providing remuneration under our current remuneration policy. The remuneration policy was introduced in connection with the demerger of A.P. Moller - Maersk and the listing of Maersk Drilling in April 2019. I can confirm the remuneration in 2019 was in compliance with the remuneration policy.

In summary, Board members received a fixed annual base fee, while the Chairman and the Vice Chairman received fixed multiples thereof. Each member of a Board committee, except members of the Nomination Committee, received an additional annual fee based on a fixed proportion of the annual base fee.

Executive Management's remuneration primarily consists of fixed pay and incentives. The incentives include

- a Short-term Incentive, which is cash-based tied to achievement of targets established by the Board, and
- a Long-term Incentive, which is share-based with a vesting or maturity period of at least three years, and a subsequent holding period of two years.
- Furthermore, a share ownership requirement is in place equal to twice the annual long-term incentive grant level applicable. As part of the separate listing of Maersk Drilling, Executive Management received restricted share units as an extraordinary incentive in the form of an exchange grant and a transition grant in 2019.

You will find more detailed information on remuneration paid to Executive Management and the Board of Directors in our Annual Report and in the full Remuneration Report available on our website.

Looking at the cash flow from our activities, we can be pleased with our ability to generate cash.

Cash flow from operating activities was 420 million dollars, compared with 593 million dollars in 2018. Despite the lower figure this reflects a continued strong ability to turn profits into cash.

Capital expenditures amounted to 309 million dollars, mainly related to the completion of nine Special Periodic Surveys, or SPS'es, during the year. Three SPS'es are scheduled for 2020. Other capital expenditure in 2019 related to the upgrade of the Mærsk Deliverer semi-submersible for its contract in Australia and other periodic maintenance on floater units.

Adjusted free cash flow for the year amounted to 109 million dollars compared to 457 million dollars in 2018. The significantly lower figure was a combination of the decline in operating cash flow as well as the higher costs related to the mentioned yard stays.

Liquidity reserves totalled 710 million dollars at the end of the year, comprising cash and bank balances of 310 million dollars and the fully available revolving credit facility of 400 million dollars. This compares to total liquidity of 772 million dollars at the end of 2018.

At the end of the year, our net debt amounted to 1.1 billion dollars, which is at same level as at the end of 2018.

Maersk Drilling continues to have a solid capital structure with a high degree of financial flexibility. At the end of 2019, the leverage ratio, defined as net debt to EBITDA before special items, was 2.6.

Let us look a bit closer at our positive free cash flow and how we will spend the cash.

As communicated in our Annual Report, free cash flows will be allocated based on the following prioritisation:

First of all, Maersk Drilling will remain focused on maintaining a robust capital structure with sufficient funding available to support the business through the cycle. The robustness of our capital structure will be measured by our leverage ratio which should be around 2.5. This means that we will prioritise paying down debt until our leverage ratio is around two and a half times our yearly EBITDA before special items.

Secondly, Maersk Drilling will pursue investment opportunities as long as they support long-term shareholder value creation.

Thirdly, provided that the capital structure is deemed solid by meeting the leverage ratio target and no attractive investment opportunities have been identified, we will seek to return capital to shareholders by dividend payments or share buy-back.

As of 31 December 2019, the leverage ratio was 2.6. In line with the principles just mentioned, Maersk Drilling will not propose any dividends based on the 2019 Annual Report.

For the sake of completeness and subject to the approval of our Annual Report, I should mention that we will shortly launch a share buy-back programme to cover our obligations to deliver shares under our long-term incentive programme.

I want to take the opportunity of the AGM to recognise that behind all these figures are close to 3,000 hard-working people. Maersk Drilling never sleeps. Day and night, we operate safely and efficiently for our customers – to the benefit of our shareholders.

Safety is close to the hearts of both the Board and Management and to me personally. Taking care of our people and making sure that they return safely to their loved ones is our number one priority.

I have been pleased to witness the measures taken the past weeks to protect the health and well-being of everyone working in and with Maersk Drilling during the current COVID-19 pandemic. The situation is being monitored closely and Maersk Drilling is taking a wide range of initiatives to safeguard our people and operation. This includes travel restrictions, tracking of travel and health information and implementation of quarantine measures. Early on, Maersk Drilling established a dedicated task force and all actions are based on recommendations from the World Health Organization as well as local health authorities.

If we look back at the safety performance in 2019, we were pleased to see an overall declining trend in the frequency of incidents. We are now well below the industry average when we count all the incidents – small and large – which implied that people had to stop working to recover from the incident. We did, however, also have two more serious injuries where two colleagues permanently injured a foot and a hand, respectively. It is our unwavering ambition to avoid such incidents in the future and bring the number of serious incidents to zero. In 2019, we implemented our new safety strategy; 'Safety as Capacity'. This strategy aims at complementing the traditional safety approach with an increased attention to the human factor in safety incidents. An offshore rig is a challenging and tough working environment and we are setting all sails to establish barriers - both technical, operational and organisational – to protect everyone on board.

We are confident that we will reach this goal with the new strategy. The observed decrease in the severity of incidents is a good indication that we are on the right track.

A safe and efficient operation is Maersk Drilling's signature strength. We are building on this as we explore new strategic and commercial opportunities in a changing market environment.

Looking ahead to 2020, we recently revised our full-year profit guidance in the light of the corona crisis and the turmoil in the international oil and gas markets. We now expect an EBITDA before special items of between 325 and 375 million dollars.

The original guidance of 400 to 450 million dollars was, as set out in the 2019 Annual Report published in February, based on the contract backlog at the time as well as an expectation of signing additional contracts within both the North Sea and International divisions. However, the lower oil price environment is likely to adversely impact offshore activity with delays or cancellations of existing tenders, as well as postponement of new projects. This is negatively impacting the prospects for new offshore drilling contracts in the remaining part of 2020.

Hence, our updated profitability guidance is based on the current contract backlog and the revised expectation for securing additional contracts.

Capital expenditures are still expected to be in the level of 150 to 200 million dollars, mainly driven by three expected yard stays in 2020 as well as rolling maintenance on several other units.

This concludes my presentation of the annual accounts.

Let me now, for a moment, return to the overall share price development since the listing, zooming in on the value generation for our shareholders.

It will come as no surprise to you that the current crisis has significantly impacted our share price. Following the oil price crash on the 9th of March, our share price is down more than 50% and our peer group has fallen between 47% and 61% for US peers and Norwegian peers, respectively.

As you can also see from the graph the market in general and our peer group of drillers has been in decline. Our share price development has also been under pressure for the last year, however, it has also reflected our stronger position and overall ability to perform. As our share price is down around 75% and the peer group is down around 90% since the listing took place, Maersk Drilling's relative share price performance is better.

That being said, we fully acknowledge that the share price development over the past year has not been satisfactory. However, Maersk Drilling's principal goal continues to be the delivery of long-term shareholder value by growing cash flows, maintaining a solid balance sheet and by exercising disciplined capital allocation. It is therefore pleasing to see that we delivered 109 million dollars of free cash flow in a year with a significant number of yard stays and an industry still under pressure.

In addition, we maintain a solid balance sheet, as evidenced by our industry-leading leverage ratio of 2.6 at the end of 2019. Combined with ample liquidity of 710 million dollars, this provides us with a good level of financial flexibility.

Looking ahead, we will continue our focus on long-term shareholder value creation. And to summarise what I've been presenting, we aim to achieve this by leveraging our modern fleet with a unique position in Norway and building on our technically advanced fleet of CJ70 jack-up rigs.

We will leverage our long-term customer relationships, exploring new business models together with our customers and partners, thereby increasing value for our customers as well as for Maersk Drilling.

Our financial strength and flexibility mean that we will be able to withstand and navigate through the cycles, overcome the challenging business environment that we are facing right now and emerge even stronger positioned once the crisis is over.

Last but not least, we will build on our strong values and continue our ambitious approach to sustainability and low-emission drilling solutions.

Those were the words from me as Chairman of Maersk Drilling, reporting on the first year as a stand-alone company. 2019 was a challenging year for many reasons and 2020 has started off even more challenging with a global pandemic as well as oil markets in extreme volatility. 2020 will not be an easy follow-on year by any means.

However, many times before Maersk Drilling has demonstrated we can weather the storm because of our unique position in the drilling industry.

When we emerge from the current crisis there will be ample opportunities for a drilling company like Maersk Drilling, capable of leading the industry on the way to the most sustainable access possible to the oil and gas that the world is expected to demand.

If you share that vision, there should be every reason to follow us or join us on the way. Personally, I look forward to continuing this exciting journey in the years to come!

I thank all our shareholders for your support and for listening.

MAERSK
DRILLING