MAERSK DRILLING

Interim Financial Report for the first half of 2019

Financial highlights for the first half of 2019

- Revenue of USD 623m in the first half of 2019 (H1 2018: USD 742m) with utilisation in Q2 2019 of 82% (Q1 2019: 73%)
- EBITDA before special items of USD 231m (H1 2018: USD 309m) equal to a margin of 37.1% (H1 2018: 41.6%)
- Cash flow from operating activities of USD 205m (H1 2018: USD 282m) equal to cash conversion of 94% (H1 2018: 92%)
- Capex of USD 156m (H1 2018: USD 44m) in line with expectations impacted by yard stays
- Adjusted free cash flow of USD 48m (H1 2018: USD 246m)
- Net debt of USD 1,121m (31 December 2018: USD 1,097m) and liquidity reserves of USD 754m (31 December 2018: USD 772m)
- Secured contracts in H1 2019 with a total contract value of USD 469m resulting in a revenue backlog as of 30 June 2019 of USD 2.3bn (Q1 2019: USD 2.2bn) and a forward contract coverage for the remaining part of 2019 of 70%
- The previously announced full-year guidance for 2019 is maintained

"In the first half of 2019, we delivered according to plan and remain well on track to deliver our full-year guidance. We managed to grow our backlog to USD 2.3bn improving the future revenue visibility.

In light of the challenging markets, I am pleased with our continued industry-leading operating margin, positive free cash flows and robust balance sheet."

Jørn Madsen
Chief Executive Officer

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 "the Company" or, when including its subsidiaries, "Maersk Drilling"). 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 Maersk Drilling'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 the Company'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.

Financial highlights

Income statement (USDm)	Q2 2019	Q1 2019	H1 2019	H1 2018
Revenue	315	308	623	742
EBITDA before special items			231	309
EBITDA			218	307
Profit/loss before financial items (EBIT)			35	131
Profit/loss before tax			-5	116
Profit/loss for the period			-18	109
Business drivers[1]				
No. of rigs at period end	23	23	23	24
Contracted days	1,704	1,475	3,179	3,105
Available days	2,081	2,019	4,100	4,344
Utilisation	82%	73%	78%	71%
Average dayrate (USDk)	185	208	196	239
Financial uptime	98.9%	99.9%	99.3%	99.0%
Revenue backlog at the end of the period (USDm)	2,340	2,233	2,340	2,718
Balance sheet (USDm)				
Total assets			5,653	6,700
Total equity[3]			3,775	6,320
Net debt/(receivable)[1, 3]			1,121	-2,019
Investments in non-current assets (Capex)			156	44
Cash flow statement (USDm)				
Cash flow from operating activities			205	282
Cash flow used for investing activities			-149	-34
Adjusted free cash flow[2]			48	246
Financial ratios[1]				
EBITDA margin before special items			37.1%	41.6%
Cash conversion			94%	92%
Equity ratio[3]			67%	94%
Leverage[3]			2.1	-3.0
Share ratios				
Share price end of period (DKK)			510.0	-
Earnings in USD per share of DKK 10 for the period			-0.4	2.6
Diluted earnings in USD per share of DKK 10 for the period			-0.4	2.6

[1] For definitions please refer to page 93 of the 2018 Annual Report.
[2]Proceeds from the divestment of assets are excluded from adjusted free cash flow.
[3]The composition of the balance sheet has significantly changed from 30 June 2018 to 30 June 2019 due to the separation from A.P. Moller – Maersk and net debt/receivable, equity ratio and leverage are therefore not comparable.

Quarterly revenue and business drivers per segment

	Jack-up rigs	Floaters	Total
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 at the end of the period (USDm)	1,480	860	2,340
Q1 2019			
Revenue (USDm)	204	104	308
Contracted days	1,057	418	1,475
Available days	1,350	669	2,019
Utilisation	78%	62%	73%
Average day rate (USDk)	193	247	208
Financial uptime	99.9%	100.0%	99.9%
Revenue backlog at the end of the period (USDm)	1,654	579	2,233

Q2 2019 performance

Revenue for Q2 2019 increased by 2% to USD 315m compared with Q1 2019 (USD 308m), mainly driven by higher utilisation, partly offset by lower average day rates as new contracts are signed at the currently lower market rates.

The financial uptime remained high at 98.9% compared to 99.9% in Q1 2019. The total number of contracted days increased to 1,704 from 1,475 days in the first quarter of 2019, resulting in utilisation of 82% compared to 73% in the first quarter of 2019. At 30 June 2019, the forward contract coverage for the second half of 2019 was 70%.

The average day rate was USD 185k per day in the second quarter of 2019 compared to USD 208k per day in the first quarter, primarily driven by the expiry of legacy contracts.

Jack-up segment

Revenue within the jack-up segment of USD 200m was at level with Q1 2019 (USD 204m) with 1,165 contracted days (1,057 days) out of 1,353 available days (1,350 days) leading to a utilisation of 86% (78%). Compared to Q1 2019, utilisation increased by 8%-points, primarily driven by Maersk Resilient working in the UK through most of the quarter versus being idle during Q1 2019. Financial uptime remained high at 99.7% compared to 99.9% in Q1 2019.

The positive impact on revenue from the increase in contracted days was more than offset by a reduction in average day rate from USD 193k in Q1 2019 to USD 182k 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 increased to USD 114m compared to USD 104m in Q1 2019, primarily due to higher activity levels and Q1 2019 being impacted by the yard stay for Maersk Explorer. With 539 contracted days (418 days) out of 728 available days (669 days), the floater segment had a utilisation of 74% (62%), positively impacted by Mærsk Deliverer operating in Timor-Leste through most of the quarter versus being idle for the majority of Q1 2019.

The average day rate declined to USD 213k from USD 247k in Q1 2019 impacted by expiry of legacy contracts and new contracts being signed at current market rates.

The financial uptime was 97.2% compared to 100.0% in Q1 2019, negatively impacted by unscheduled maintenance downtime on one unit.

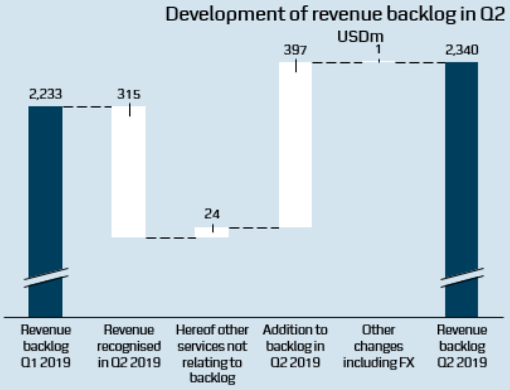
Revenue backlog

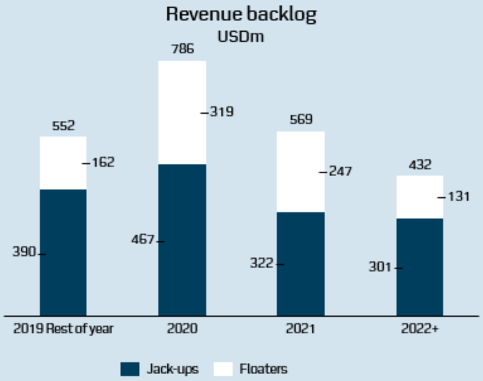
At 30 June 2019, the contracted revenue backlog amounted to USD 2.3bn (31 March 2019: USD 2.2bn). Five new contracts and four extensions were signed in Q2 2019 with a total contract value of USD 397m including the previously disclosed contract for the ultra-deepwater semi-submersible, Mærsk Deliverer, with an estimated contract value of USD 300m.

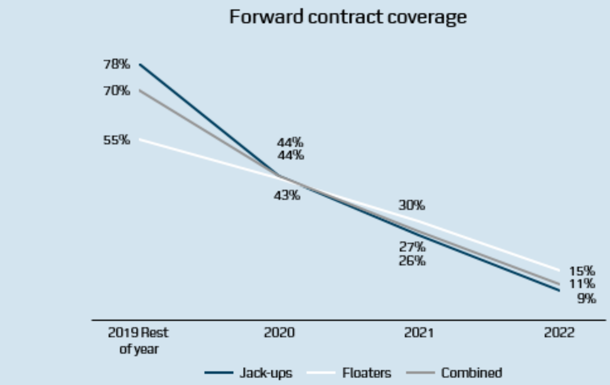
In May 2019, a 137-day contract, plus options for an additional 140 days, for operation in Mexico was awarded to Maersk Valiant bringing the drillship back into operations after having been idle since 2016.

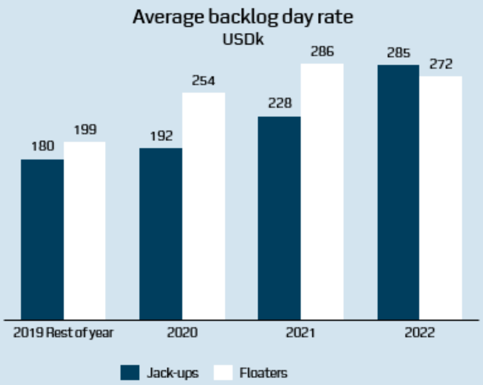
At 30 June 2019, the forward contract coverage for the remaining part of 2019 was 78% for the jack-up segment and 55% for the floater segment, respectively. Given the current market rates in the floater segment, only selected long-term contracts are entered into while the majority of the fleet is deployed through shorter term contracts.

At 30 June 2019, the average backlog day rates for the remaining part of 2019 were USD 180k for the jack-up segment and USD 199k for the floater segment respectively. The average backlog day rates are gradually improving in subsequent years, albeit, for especially the floater segment, reflective of only a limited number of long-term contracts.









Detailed contract information and planned out-of-service time for the rig fleet is provided in the fleet status report dated 23 August 2019 which is available at Maersk Drilling's investor relations website, investor.maerskdrilling.com.

Market update

In the broader jack-up market, the steady recovery seen over the past two years continued in Q2 2019. The number of contracted jack-up rigs continued to increase, and, with the marketed supply roughly unchanged, the global marketed utilisation increased to 80% reaching its highest level since late 2015. Day rates also continued to trend higher.

There are different demand and supply dynamics across the various jack-up rig categories. In the segment for harsh environment jack-up rigs capable of working in the most challenging environments in the North Sea, the marketed utilisation is now above 90%. Particularly, the niche segment of the most advanced and capable jack-up rigs (CJ70 design), in which Maersk Drilling has a market share of more than 50%, is characterized by full utilisation for the rest of 2019.

Based on current backlog as well as ongoing tenders and bilateral negotiations, the trend of increasing demand for jack-up rigs is expected to continue. In the North Sea, there are several opportunities – both short term and longer term durations - for harsh environment jack-up rigs with commencement late 2019 and first half of 2020.

The pace of recovery in the floater market has been slower over the past two years than what has been seen in the jack-up market. However, during Q2 2019 the number of contracted floaters increased, driving marketed utilisation to 80%, its highest level since late 2015. Day rates are still at challenging levels, but have moved upward over the past year.

Despite the upward trend in activity and day rates, the forward coverage remains relatively low with many rigs rolling off contract and becoming available, and the floater market is expected to remain challenged.

With stronger free cash flow generation among oil companies, and more financially robust projects supporting increased sanctioning of new projects, demand for offshore rigs is expected to continue increasing. Therefore, Maersk Drilling continues to expect improvements in utilisation and day rates longer term. However, the timing and magnitude of the recovery, particularly in the floater segment, remains uncertain.

Guidance for 2019

The previously announced full-year guidance for 2019 is maintained:

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

EBITDA before special items for the second half of 2019 is expected to be lower than for the first half of 2019 primarily due to Maersk Integrator and Maersk Discoverer starting new contracts at lower day rates. Further, the contract start date for Mærsk Inspirer, which is being retrofitted to work as a combined drilling and production unit at the Yme field offshore Norway, was previously expected to be September 2019 but is now expected to be around March 2020. For 2019, the impact on profitability is limited as the contract in the start-up phase is based on a cost recovery model.

EBITDA before special items is sensitive to the level of contracting of additional days to the current backlog and the day rates thereon. Capital expenditures are sensitive to final scheduling and scoping of rig upgrades and yard stays, which are subject to commercial and operational planning.

Financial Review for the first half of 2019

For the first six months of 2019, EBITDA before special items was USD 231m (USD 309m), equal to a margin of 37.1% (41.6%) negatively impacted by the expiry of legacy contracts for a number of rigs and additional out-of-service time related to yard stays. The net result for the period was a loss of USD 18m (profit of USD 109m), negatively impacted by higher depreciation following the impairment reversals recognised in the second half of 2018 and higher financial expenses following the debt financing of USD 1.5bn secured in the second half of 2018.

Cash conversion remained high at 94% (92%). Investments in non-current assets (Capex) increased to USD 156m (USD 44m) impacted by rig upgrades and yard stays in connection with special periodic surveys for a number of rigs.

Results

Revenue

Revenue for the first six months of 2019 decreased by 16% to USD 623m compared to the same period last year negatively impacted by lower average day rates, especially in the floater segment, partly offset by higher utilisation.

Other revenue increased to USD 60m from USD 55m in the first half of 2018 equal to 9.7% (7.4%) of total revenue primarily due to increased performance based revenue and additional recharges of crew and catering costs to customers.

Total number of contracted days increased to 3,179 from 3,105 in the first half of 2018, equal to an increase of 2.4%. The average day rate was USD 196k in the first half of 2019 compared to USD 239k in the first half of 2018 following the expiry of legacy contracts for a number of rigs.

Costs

Operating costs comprising crew, maintenance, supplies, catering and insurance decreased to USD 342m from USD 394m in the first half of 2018, while sales, general and administrative expenses (SG&A) increased to USD 50m compared to USD 39m in the first half of 2018. The higher SG&A costs relate to new competences added to the organisation during the second half of 2018 as part of the demerger of A.P. Moller – Maersk and separate listing of Maersk Drilling on the Nasdaq Copenhagen Stock Exchange. Further, investments have been made in strengthening innovation capabilities to support Maersk Drilling's long-term strategic ambitions.

USDm	6 months 2019	6 months 2018	Full year 2018
Revenue	623	742	1,429
Costs	392	433	818
EBITDA before special items	231	309	611
Margin	37.1%	41.6%	42.8%

EBITDA before special items per segment

EBITDA before special items was USD 190m (USD 238m) for the jack-up segment and USD 41m (USD 71m) for the floater segment, respectively. The decline is primarily due to lower average day rates, especially in the floater segment, and additional out-of-service time related to yard stays partly offset by lower operating costs.

Special items

Special items amounting to a cost of USD 13m (USD 2m) mainly comprise costs of separating Maersk Drilling from A.P. Moller – Maersk including listing of Maersk Drilling on the Nasdaq Copenhagen Stock Exchange. The separation and listing costs incurred in H1 2019 primarily comprise listing fees, Maersk Drilling's part of fees to banks, advisors, lawyers and auditors as well as one-off bonuses to Executive Management, other key management personnel and other employees.

Gain/loss on sale of non-current assets

Gain/loss on sale of non-current assets of USD 8m (USD 0m) include the sale of the Mærsk Giant jack-up rig previously presented under assets held for sale with a carrying amount of USD 0m.

Financial income and expenses

Net financial expenses increased to USD 40m compared to USD 15m for the first six months of 2018, primarily related to the interest expenses on the debt financing of USD 1.5bn secured in the second half of 2018.

Tax

The tax expense amounted to USD 13m compared to USD 7m in the first six months of 2018, primarily comprising withholding taxes paid on operating activities, Further, in certain jurisdictions, the effective tax rate is impacted by deferred tax assets not recognised and non-deductible financial expenses.

Cash flows

Cash flow from operating activities

Cash flow from operating activities was USD 205m (USD 282m) equal to a cash conversion of 94% (92%). Working capital improved by USD 8m, partly offset by a USD 5m use of provisions from prior periods.

Cash flow used for investing activities

Cash flow used for investing activities increased to USD 149m for the first six months of 2019 (USD 34m) following an increased number of rig upgrades and yard stays in connection with special periodic surveys ("SPS") for a number of the rigs, partly offset by proceeds from the divestment of assets, including the sale of the Mærsk Giant jack-up rig.

In line with expectations, SPS have been completed for six rigs in the first half of 2019 with an expectation to complete an additional three in the second half of 2019. Three yard stays planned for early 2020 related to SPS for two rigs and the upgrade of the Mærsk Deliverer prior to commencement of contract in Australia will also impact the 2019 investment cash flow.

Adjusted for the USD 8m proceeds from the sale of assets, adjusted free cash flow amounted to USD 48m (USD 246m).

Cash flow from financing activities

Cash flow from financing activities was negative USD 75m for the first six months of 2019 (negative USD 225m) primarily driven by interest and principal payments under the USD 1.5bn facility agreements.

Capital structure and funding

Equity

At 30 June 2019, equity amounted to USD 3,775m compared to USD 3,814m at 31 December 2018, primarily impacted by the loss for the period of USD 18m and negative value adjustments of hedges of USD 21m.

Net debt

At 30 June 2019, net debt amounted to USD 1,121m (31 December 2018: USD 1,097m), primarily comprising gross borrowings of USD 1,441m (31 December 2018: USD 1,470m), lease liabilities of USD 34m (31 December 2018: USD 0m), and cash and bank balances of USD 354m (31 December 2018: USD 372m).

The leverage ratio (net debt to rolling 12 months EBITDA before special items) was 2.1 at 30 June 2019 (31 December 2018: 1.8) illustrating a continued solid capital structure with a high degree of financial flexibility. At 30 June 2019, liquidity reserves amounted to USD 754m (31 December 2018: USD 772m), comprising cash and bank balances of USD 354m (31 December 2018: USD 372m) and an undrawn revolving credit facility of USD 400m (31 December 2018: USD 400m).

Interim Financial Statements

CONSOLIDATED INCOME STATEMENT

(USDm)	Note	6 months 2019	6 months 2018	Full year 2018
Revenue	1, 2	623	742	1,429
Costs	3	-392	-433	-818
Profit before depreciation, amortisation, impairment losses/ reversals and special items (EBTIDA before special items)		**231**	**309**	**611**
Special items	4	-13	-2	-16
Profit before depreciation, amortisation and impairment losses/reversals (EBITDA)		**218**	**307**	**595**
Depreciation and amortisation		-190	-176	-403
Impairment losses/reversals		-	-	810
Gain/loss on sale of non-current assets		8	-	-
Share of results in joint ventures		-1	-	-1
Profit/loss before financial items (EBIT)		**35**	**131**	**1,001**
Financial expenses, net		-40	-15	-12
Profit/loss before tax		**-5**	**116**	**989**
Tax		-13	-7	-48
Profit/loss for the period		**-18**	**109**	**941**
Earnings in USD per share of DKK 10 for the period[1]		-0.4	2.6	22.7
Diluted earnings in USD per share of DKK 10 for the period[1]		-0.4	2.6	22.7

[1] Refer to the consolidated statement of changes in equity.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USDm)	Note	6 months 2019	6 months 2018	Full year 2018
Profit/loss for the period		**-18**	**109**	**941**
Cash flow hedges:				
Value adjustment of hedges		-25	-2	-6
Reclassified to income statement		3	-2	2
Tax on other comprehensive income		1	1	1
Total items that have or will be reclassified to the income statement		**-21**	**-3**	**-3**
Total items that will not be reclassified to the income statement		**-**	**-**	**-**
Other comprehensive income, net of tax		**-21**	**-3**	**-3**
Total comprehensive income for the period		**-39**	**106**	**938**

CONSOLIDATED CASH FLOW STATEMENT

(USDm)	6 months 2019	6 months 2018	Full year 2018
Profit/loss before financial items	35	131	1,001
Depreciation, amortisation and impairment losses/reversals, net	190	176	-407
Gain on sale of non-current assets, etc., net	-8	-	-
Change in working capital	8	-10	11
Change in provisions, etc.	-5	-2	16
Taxes paid, net	-15	-13	-28
Cash flow from operating activities	**205**	**282**	**593**
Purchase of intangible assets and property, plant and equipment	-155	-36	-155
Sale of intangible assets and property, plant and equipment	8	2	21
Other financial investments, net	-2	-	-2
Cash flow used for investing activities	**-149**	**-34**	**-136**
Financial income received	3	28	47
Financial expenses paid	-43	-59	-63
Proceeds from/(repayment of) borrowings, net	-35	-194	1,208
Dividends distributed	-	-	-1,326
Cash flow from financing activities	**-75**	**-225**	**-134**
Net cash flow	**-19**	**23**	**323**
Cash and bank balances 1 January	372	49	49
Currency translation effect on cash and bank balances	1	-	-
Cash and bank balances, end of period	**354**	**72**	**372**

CONSOLIDATED BALANCE SHEET

(USDm) Assets	30 June 2019	30 June 2018	31 December 2018
Intangible assets	43	71	56
Property, plant and equipment	4,863	4,134	4,849
Financial non-current assets, etc.	4	2	3
Deferred tax	2	14	2
Total non-current assets	**4,912**	**4,221**	**4,910**
Trade receivables	286	320	339
Loans receivable	-	1,953	2
Other receivables	58	70	37
Prepayments	43	64	58
Receivables, etc.	**387**	**2,407**	**436**
Cash and bank balances	354	72	372
Total current assets	**741**	**2,479**	**808**
Total assets	**5,653**	**6,700**	**5,718**

Equity and liabilities	30 June 2019	30 June 2018	31 December 2018
Share capital	63	63	63
Reserves	3,712	6,257	3,751
Dividend proposed	-	-	-
Total equity	**3,775**	**6,320**	**3,814**
Borrowings, non-current	**1,339**	**-**	**1,375**
Provisions	2	1	2
Deferred tax	49	53	60
Derivatives	23	-	-
Other non-current liabilities	**74**	**54**	**62**
Total non-current liabilities	**1,413**	**54**	**1,437**
Borrowings, current	**136**	**6**	**95**
Provisions	19	8	26
Trade payables	175	158	196
Tax payables	52	49	40
Other payables	57	64	71
Deferred income	26	41	39
Other current liabilities	**329**	**320**	**372**
Total current liabilities	**465**	**326**	**467**
Total liabilities	**1,878**	**380**	**1,904**
Total equity and liabilities	**5,653**	**6,700**	**5,718**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(USDm)	Share capital	Hedge reserve	Retained earnings	Dividend proposed	Total equity
Equity 1 January 2019	63	-2	3,753	-	3,814
Other comprehensive income, net of tax	-	-21	-	-	-21
Profit/loss for the period	-	-	-18	-	-18
Total comprehensive income for the period	**-**	**-21**	**-18**	**-**	**-39**
Value of share based payments	-	-	2	-	2
Other equity movements	-	-	-2	-	-2
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-**
Equity 30 June 2019	**63**	**-23**	**3,735**	**-**	**3,775**

(USDm)	Share capital	Hedge reserve	Retained earnings	Dividend proposed	Total equity
Equity 1 January 2018	63	1	6,149	-	6,213
Other comprehensive income, net of tax	-	-3	-	-	-3
Profit/loss for the period	-	-	110	-	110
Total comprehensive income for the period	**-**	**-3**	**110**	**-**	**107**
Total transactions with shareholders	**-**	**-**	**-**	**-**	**-**
Equity 30 June 2018	**63**	**-2**	**6,259**	**-**	**6,320**

The share capital comprises 41,532,112 shares of DKK 10. The Drilling Company of 1972 A/S was incorporated on 2 April 2019 in connection with the separation of the Maersk Drilling activities from the A.P. Moller - Maersk Group. The Interim Financial Report has been prepared as if The Drilling Company of 1972 A/S had always been the parent company of the Maersk Drilling Group and therefore comprises the period 1 January - 30 June 2019 with comparative figures for the period 1 January - 30 June 2018.

Earnings per share is equal to profit/loss for the period divided by the number of shares or the diluted number of shares. Historic earnings per share are determined based on the number of shares issued upon incorporation of the Company on 2 April 2019. At 30 June 2019, a potential dilution effect from the 141,416 shares granted under the long-term incentive programme (see note 6 below) are excluded from the calculation of earnings per share as the inclusion would result in a reduction in the loss per share. There were no dilution effects at 30 June 2018 or 31 December 2018.

Notes

NOTE 1

Segment information

(USDm)	6 months 2019 Jack-ups	Floaters	Total	6 months 2018 Jack-ups	Floaters	Total
Revenue						
Segments	404	218	622	470	272	742
Unallocated activities			1			-
Total revenue			**623**			**742**
EBITDA before special items						
Segments	190	41	231	238	71	309
Unallocated activities			-			-
Total EBITDA before special items			**231**			**309**
Depreciation and amortisation						
Segments	-103	-77	-180	-94	-75	-169
Unallocated activities			-10			-7
Total depreciation and amortisation			**-190**			**-176**
Total impairment losses/reversals	-	-	**-**	-	-	**-**
Investments in non-current assets[1]						
Segments	76	80	156	21	21	42
Unallocated activities			-			2
Total investments in non-current assets[1]			**156**			**44**
Non-current assets[1]						
Segments	2,867	1,986	4,853	2,564	1,603	4,167
Unallocated activities			53			38
Total non-current assets[1]			**4,906**			**4,205**

[1] Comprise intangible assets and property, plant and equipment.

NOTE 2

Revenue

Revenue from drilling activities typically comprise fixed amounts for each day the rig is under contract differentiated by the activities undertaken ("day rate revenue") and other revenue components such as lump sum payments for rig mobilisation and demobilisation and payments for investments in equipment or rig upgrades required to meet the operational needs of the drilling campaign, both of which amortised over the contract period; bonuses linked to performance in terms of time, efficiency or drilling outcome measures such as reservoir targeting; or payments for third-party services to be delivered by Maersk Drilling.

(USDm)	6 months 2019	6 months 2018	Full year 2018
Day rate revenue	563	687	1,312
Other revenue	60	55	117
Total revenue	**623**	**742**	**1,429**

The geographical split and type of revenue is as follows:

(USDm)

6 months 2019	Jack-ups	Floaters	Other	Total
Geographical split				
Denmark	15	-	1	16
Norway	277	-	-	277
United Kingdom	78	-	-	78
Egypt	-	54	-	54
Azerbaijan	-	32	-	32
Ghana	-	107	-	107
Other	34	25	-	59
Total	**404**	**218**	**1**	**623**
Type of revenue				
Services component	191	158	1	350
Lease component	213	60	-	273
Total	**404**	**218**	**1**	**623**

6 months 2018	Jack-ups	Floaters	Other	Total
Geographical split				
Denmark	35	-	-	35
Norway	334	-	-	334
United Kingdom	71	-	-	71
United States of America	-	11	-	11
Egypt	-	54	-	54
Azerbaijan	-	50	-	50
Ghana	-	108	-	108
Other	30	49	-	79
Total	**470**	**272**	**-**	**742**
Type of revenue				
Services component	185	155	-	340
Lease component	285	117	-	402
Total	**470**	**272**	**-**	**742**

At 30 June 2019, the revenue backlog of contracted future service and lease revenue amounted to USD 2,340m (USD 31 December 2018: USD 2,466m).

NOTE 3

Costs

(USDm)	6 months 2019	6 months 2018	Full year 2018
Operating costs	342	394	734
Sales, general and administrative costs	50	39	84
Total costs	**392**	**433**	**818**

NOTE 4

Special items

(USDm)	6 months 2019	6 months 2018	Full year 2018
Warranty compensation	-	-	10
Special items, income	**-**	**-**	**10**
Transformation and restructuring costs	-	-	20
Separation and listing costs	13	2	6
Special items, costs	**13**	**2**	**26**
Special items, net	**-13**	**-2**	**-16**

Special items comprises non-recurring income and expenses that are not considered to be part of Maersk Drilling's ordinary operations such as warranty compensation from shipyards, major restructuring projects and separation and listing costs. The separation and listing costs incurred in H1 2019 primarily comprise listing fees, Maersk Drilling's part of fees to banks, advisors, lawyers and auditors as well as one-off bonuses to Executive Management, other key management personnel and other employees.

NOTE 5

Capital commitments

At 30 June 2019, capital commitments relating to rig upgrades and special periodic surveys amounted to USD 71m (31 December 2018: USD 46m). Maersk Drilling does not have capital commitments related to newbuildings.

Note 6

Implementation of Long-Term Incentive Programme

Following the listing, Maersk Drilling implemented a long-term incentive programme (the "LTI") and a one-time transition grant. Maersk Drilling believes that providing remuneration in the form of shares to appropriate levels of management promotes long-term value creation and ensures alignment of interests with its shareholders.

Under the LTI and transition grant the Executive Management, key employees and certain other employees will receive a number of restricted share units ("RSUs"). The vesting period for the RSUs is three years from the date of grant. Except for RSUs granted as part of the exchange grant, the Executive Management will not be able to sell any shares vesting until the total period from grant (inclusive of the vesting period) is five years, i.e. a holding period of two years in addition to the three-year vesting period. Executive Management and other Key Management Personnel are also subject to a share ownership requirement of twice the annual LTI grant level applicable, i.e. up to two years' fixed pay.

At 30 June 2019, 46,901 RSUs have been granted under the LTI in 2019 and 94,515 RSUs have been granted under the one-time transition grant, inclusive of 20,803 RSUs that represent an exchange grant for forfeited unvested restricted shares and options of A.P. Møller – Mærsk A/S. Additional RSUs are expected to be granted under the LTI in the second half of 2019.

No of shares vesting on 30 April 2020	1,836
No of shares vesting on 30 April 2021	3,040
No of shares vesting on 30 April 2022	136,540
Total no of shares granted	141,416
Executive Management	56,336
Other Key Management Personnel	60,263
Other employees	24,817
Total	141,416
Market value at grant date (USDm)	10.9

Maersk Drilling intends to use treasury shares to meet its obligations to deliver shares under the LTI and transition grant. The Board of Directors may decide to satisfy a grant in cash.

Note 7

Basis of preparation

This Interim Financial Report reflects the consolidated figures for The Drilling Company of 1972 A/S (the "Company") and its subsidiaries (the "Group" or "Maersk Drilling"). All amounts in the Interim Financial Report are stated in United States Dollars (USD) and rounded to the nearest million.

Founding of The Drilling Company of 1972 A/S

The Company was incorporated on 2 April 2019 in connection with the separation of the Maersk Drilling activities from the A.P. Moller - Maersk Group via a demerger of A.P. Møller – Mærsk A/S and a separate listing of the Company. The Company was officially listed on Nasdaq Copenhagen with the first trading day being 4 April 2019.

Following the separation, A.P. Møller - Mærsk A/S ceased to have a controlling interest in the Group, but A.P. Møller - Mærsk A/S is still considered a related party of Maersk Drilling as under the common control of A.P. Møller Holding A/S.

A.P. Møller – Mærsk A/S injected 100% of the shares in Maersk Drilling Holding A/S, including this company's subsidiaries, as well as certain other assets and liabilities to the Company. The net impact of the separation is therefore a capital contribution of USD 4m reflecting the net value of the other assets and liabilities contributed. The consolidated financial statements have been prepared as if the Company had always been the parent company of the Maersk Drilling Group, and comparative figures have therefore been prepared as if the assets and liabilities contributed were always part of the Maersk Drilling Group.

Accounting policies

The interim consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and additional requirements in accordance with the Danish Financial Statements Act. The Interim Financial Report has not been audited or reviewed by the Company's auditor.

Apart from setting accounting policies related to the long-term incentive programme and the implementation of IFRS 16 'Leases' discussed below, the accounting policies, judgements and significant estimates are consistent with those set out in notes 5.2 and 5.3 to the consolidated financial statements for 2018. IFRIC 23 was early adopted in 2018.

Long-term incentive programme

The fair value at the grant date of equity settled restricted shares allocated to employees as part of Maersk Drilling's long-term incentive programme are recognised as staff costs over the vesting period with a corresponding adjustment in equity. At the end of each reporting period, Maersk Drilling revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and service conditions. Any impact of the revision is recognised in the income statement with a corresponding adjustment to equity.

For restricted shares that represent the exchange grant for forfeited unvested restricted shares and options of A.P. Møller – Mærsk A/S, costs are recognised on a pro rata basis for the remaining vesting period calculated from the original grant date.

IFRS 16 'Leases'

IFRS 16 'Leases' was implemented as of 1 January 2019 applying the modified retrospective approach under which comparative figures are not to be adjusted in the financial statements. IFRS 16 has not had a material impact on the Group as most of the operating assets are owned.

Under IFRS 16, all leases are capitalised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019 and recognised as right-of-use assets and a corresponding lease liability. A right-of-use asset and a related lease liability of USD 36m was recognised on 1 January 2019 primarily related to property leases. There has been no material impact on other financial statement captions.

Lease payments are allocated between a reduction of the liability and an interest expense. The right-of-use asset is depreciated over the lease term on a straight-line basis.

The adoption of IFRS 16 has had an impact for the first six month of 2019 of less than USD 5m on profit before depreciation, amortisation and impairment losses/reversals (EBITDA), as operating lease expenses previously recognised as operating costs are now recognised as depreciations and interest expenses. Cash flow from operating activities has increased but is offset by an increased cash outflow from financing activities, and, accordingly, there are no change to the underlying cash flow for the period.

Certain lease costs are generally excluded from the lease liability recognised and in implementing IFRS 16, certain practical expedients have been applied:

- Leases with a lease term of less than 12 months and leases of assets of low value are excluded from the lease liability recognised and are instead expensed on a straight-line basis over the lease term. In addition, leases with a remaining term of less than 12 months at 1 January 2019 were excluded upon adoption.
- Service components included in lease costs are not recognised as part of the lease liability. Such costs are recognised in the income statement as incurred.
- The definition of a lease under IAS 17 and IFRIC 4 has been retained and contracts not previously determined to contain a lease have not been reassessed.
- Initial direct costs are excluded from the measurement of the right-of-use assets at the date of the initial application.
- Distinct incremental borrowing rates are applied to major leases whereas a single discount rate have been applied for the remaining lease contracts.

Transition impact

The operating lease liability at 31 December 2018 can be reconciled to the lease liability recognised at 1 January 2019 in the following way:

	USDm
Operating lease obligations at 31 December 2018	47
Service components	-4
Low-value assets and short-term contracts	-1
Undiscounted lease liabilities	**42**
Discounting effect	-6
Lease liability at 1 January 2019	**36**

Maersk Drilling did not have material financial leases under IAS 17.

Contracts under which Maersk Drilling is the lessor

IFRS 16 does not introduce material changes from a lessor perspective, and no changes in the composition of the balance sheet from the adoption of IFRS 16 deriving from current contracts with costumers have been identified.

Statement of the Board of Directors and the Executive Management

The Board of Directors and the Executive Board have today considered and adopted the Interim Financial Report of The Drilling Company of 1972 A/S for the period 1 January – 30 June 2019.

The Interim Financial Report, which has not been audited or reviewed by the Company's auditor, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and additional requirements in accordance with the Danish Financial Statements Act. Apart from the implementation of IFRS 16, the accounting policies remain unchanged from the 2018 Annual Report.

In our opinion, the Interim Financial Statements give a true and fair view of the Group's assets, equity, liabilities and financial position at 30 June 2019, and of the results of the Group's operations and cash flow for the period 1 January – 30 June 2019.

In our opinion, the Interim Financial Report includes a fair review of the development in the Group's operations and financial matters, the results for the period, the financial position and the Group's cash flows as well as a description of the most significant risks and uncertainties that the Group face. Except as disclosed in the Interim Financial Report, no changes in the major risks and elements of uncertainty faced by the Group have occurred relative to the disclosures in the 2018 Annual Report.

Copenhagen, 23 August 2019

Executive Management

Jørn Madsen CEO	Jesper Ridder Olsen CFO

Board of Directors

Claus V. Hemmingsen Chairman	Robert M. Uggla Vice Chairman	Martin Larsen
Alastair Maxwell	Kathleen McAllister	Robert Routs
Caroline Alting	Glenn Gormsen	