Interim Financial Report for the first half of 2022

The Drilling Company of 1972 A/S
Lyngby Hovedgade 85
2800 Kgs. Lyngby
Denmark

maerskdrilling.com

Company registration no. 40404716
ISIN: DK0061135753
Ticker: DRLCO

MAERSK DRILLING

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(Q1 2022 in brackets unless otherwise stated)

284m
Revenue in USD million (USD 248m)

1,414
Contracted days (1,158) resulting in a utilisation of 87% (68%)

201k
Average day rate in USD (USD 214k)

98.7%
Financial uptime (98.8%)

160m
Total value of secured contracts in USD (USD 357m)

2.0bn
Revenue backlog in USD at 30 June 2022 (USD 2.1bn at 31 March 2022). Forward contract coverage for the remainder of 2022 of 78% and 32% for 2023.

Financial highlights for the first half of 2022

(H1 2021 in brackets unless otherwise stated)

532m
Revenue in USD million (USD 614m)

95m
EBITDA before special items in USD (USD 163m)

41m
Cash flow from operating activities in USD (USD 94m) equal to a cash conversion of 49% (62%)

614m
Liquidity reserves in USD (31 December 2021: USD 957m) including an undrawn revolving credit facility of USD 400m (31 December 2021: USD 400m)

67m
CAPEX in USD (USD 36m)

-50m
Free cash flow in USD (USD 22m)

555m
Net debt in USD (31 December 2021: USD 505m) and leverage of 2.0x (31 December 2021: 1.5x)

Guidance for 2022

The full-year guidance for 2022 as published on 11 February 2022 is maintained:

- Profit before depreciation and amortisation, impairment losses/reversals and special items (EBITDA before special items) is expected to be in the range of USD 210–250m.
- Capital expenditures are expected to be in the range of USD 120–140m.

Profitability guidance for 2022 is partly secured through the current contract backlog and reflects ordinary operational uncertainties including general rig performance and uncertainties regarding the exercise of options and contract extensions for execution in 2022.

"I am very pleased with our strong operational performance in the first half of 2022. A market recovery is now materialising, especially in the floater segment, and our financial guidance for the full year is maintained. I am proud that our innovative approach to sustainability has resulted in tangible improvements in our sustainability performance, and I have nothing but praise for our employees across the organisation and their diligent efforts to ensure that Maersk Drilling will be entering the planned merger from a position of strength."

Jørn Madsen
CEO

Financial highlights

USD Million	Q2 2022	Q1 2022	H1 2022	H1 2021
Income statement				
Revenue	284	248	532	614
EBITDA before special items			95	163
EBITDA			84	152
Impairment losses/reversals			-118	11
Profit/loss before financial items (EBIT)			-132	73
Profit/loss before tax			-160	41
Profit/loss for the period			-172	29
Business drivers[1]				
No. of rigs at period end	19	19	19	20
Contracted days	1,414	1,158	2,572	2,719
Available days	1,618	1,710	3,328	3,878
Utilisation	87%	68%	77%	70%
Average dayrate (USDk)	201	214	207	226
Financial uptime	98.7%	98.8%	98.7%	97.0%
Revenue backlog at the end of the period (USDm)	2,011	2,102	2,011	1,649
Balance sheet				
Total assets			3,257	3,657
Total equity			2,165	2,050
Net debt[1]			555	1,009
Investments in non-current assets (Capex)			67	36
Cash flow statement				
Cash flow from operating activities			41	94
Cash flow used for investing activities			-67	-11
Cash flow from financing activities			-315	-109
Free cash flow[1]			-50	22

USD Million	Q2 2022	Q1 2022	H1 2022	H1 2021
Financial ratios[1]				
EBITDA margin before special items			17.9%	26.5%
Cash conversion			49%	62%
Equity ratio			66%	56%
Leverage			2.0	3.6
Share ratios				
Share price end of period (DKK)			292.6	262.0
Earnings in USD per share of DKK 10 for the period			-4.2	0.7
Diluted earnings in USD per share of DKK 10 for the period			-4.2	0.7

ESG ratios[2]	H1 2022	2021	2020	2019
Carbon intensity[4]:				
Tonnes CO_2 eq. per USDm revenue	382.6	359.8	374.4	371.1
Tonnes CO_2 eq. per contracted day	72.6	76.1	62.9	59.3
Tonnes CO_2 eq. per drilled meter	1.96	2.06	1.61	1.37
Women in leadership onshore (end of period)	26%	28%	25%	23%
Lost Time Injury frequency	0.26	0.53	0.44	0.75
Total recordable case frequency	1.82	1.45	2.63[3]	2.49

1 For definitions please refer to page 100 of the 2021 Annual Report.
2 For definition of ESG ratios, please refer to the accounting principles applied for Maersk Drilling's 2021 Sustainability report which can be found online at https://www.maerskdrilling.com/who-we-are/sustainability.
3 The ratio was 2.48 in the 2020 Annual Report and has been recalculated to be 2.63 due to a reclassification of a safety case.
4 The carbon intensity ratios for 2019–2020 from the 2020 Annual Report have been recalculated due to the addition of fugitive emissions and more complete data.

Q2 2022 Performance

Unless otherwise stated, comments in this section refer to Q2 2022 performance (Q1 2022)

Revenue for Q2 2022 of USD 284m (USD 248m) was positively impacted by higher utilisation in both segments and higher average dayrates in the International segment, where Maersk Voyager in April commenced a contract in Sao Tome & Principe and Mærsk Developer in May commenced a contract in Brazil after being on a stacking rate and idle, respectively, during Q1 2022.

Financial uptime for Q2 2022 remained high at 98.7% (98.8%), highlighting another strong operational performance, while the total number of contracted days increased significantly to 1,414 days in Q2 2022 (1,158 days) resulting in higher utilisation for Q2 2022 of 87% (68%).

The average day rate was USD 201k in Q2 2022 (USD 214k) and was negatively impacted by an increased number of North Sea jack-ups resuming work at current market levels that are lower than the current market rate for International floaters.

North Sea jack-ups

Revenue in the North Sea segment of USD 118m in Q2 2022 (USD 119m) was flat, as higher utilisation than the previous quarter was offset by a lower average dayrate.

With 686 contracted days in the quarter (528 days) out of 799 available days (900 days), utilisation increased to 86% (59%), the highest quarterly utilisation for North Sea jack-ups since 2019.

During Q2 2022, three jack-ups commenced new contracts in the North Sea outside of Norway, bringing the total number of jack-ups working outside of Norway to six (Q1 2022: four). Market rates are comparatively lower in the North Sea outside of Norway, resulting in a lower average dayrate for the North Sea segment of USD 174k (USD 225k).

Financial uptime remained high at 99.0% in Q2 2022 (99.8%), reflecting a strong operational performance that has now seen the North Sea division deliver financial uptime above 98% for each consecutive quarter since 2018.

Quarterly revenue and business drivers per segment

USD Million	North Sea	International	Total[1]
Q2 2022			
Revenue	118	158	284
Contracted days	686	637	1,414
Available days	799	728	1,618
Utilisation	86%	88%	87%
Average day rate (USDk)	174	247	201
Financial uptime	99.0%	98.3%	98.7%
Revenue backlog at the end of the period (USDm)	1,224	781	2,011
Q1 2022			
Revenue	119	121	248
Contracted days	528	540	1,158
Available days	900	720	1,710
Utilisation	59%	75%	68%
Average day rate (USDk)	225	225	214
Financial uptime	99.8%	97.8%	98.8%
Revenue backlog at the end of the period (USDm)	1,230	850	2,102

1 In addition to the North Sea jack-ups and International floaters, the totals for Maersk Drilling include the benign jack-up rig Maersk Convincer. This rig is not included in either segment nor is it reported separately due to its limited materiality

International floaters

Revenue in the International floater segment increased to USD 158m in Q2 2022 (USD 121m) as a result of meaningful improvements in both utilisation and the average day rate. With 637 contracted days (540 days) out of 728 available days (720 days) utilisation reached 88% (75%). With the exception of the cold stacked semi-submersible, Maersk Explorer, all floater units are now contracted.

Financial uptime for the quarter reached 98.3% (97.8%) reflecting a strong operational performance across the International segment.

The average day rate increased to USD 247k (USD 225k) primarily driven by Maersk Voyager commencing operations with Shell in Sao Tome & Principe at a higher rate than the rig was earning in the previous quarter.

Revenue backlog

At 30 June 2022, the revenue backlog amounted to USD 2.0bn (31 March 2022: USD 2.1bn). During Q2 2022, a total of USD 160m was added to the revenue backlog from seven new contracts and contract extensions.

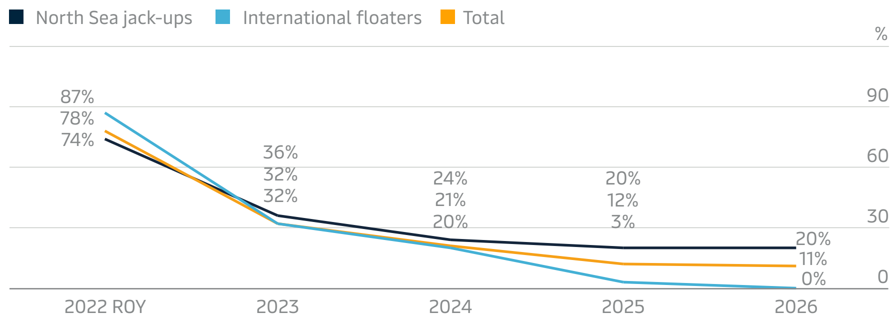
At 30 June 2022, the forward contract coverage for the remainder of 2022 was 74% for the North Sea jack-up segment, 87% for the International floater segment, and 78% for the combined fleet.

The average contractual backlog day rate for the remaining part of 2022 is USD 115k for the North Sea jack-up segment and USD 239k for the International floater segment. Average backlog day rates are gradually improving in subsequent years within both segments, as long term contracts earn better day rates than present contracts.

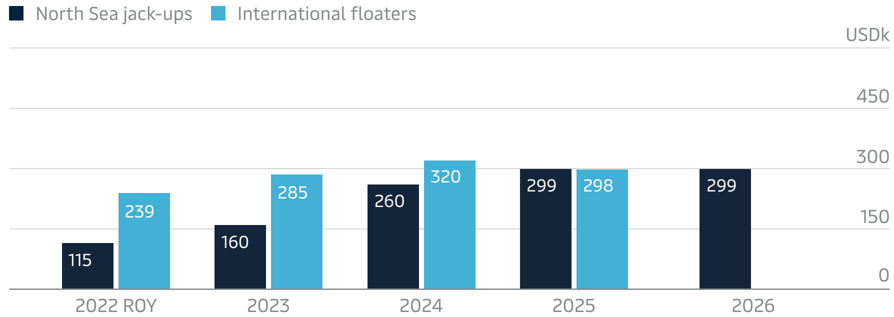
Subsequent to 30 June 2021, Maersk Drilling has been awarded one additional contract extension, bringing the total revenue backlog added year to date to more than USD 517m.

Detailed contract information and planned out-of-service time for the rig fleet is provided in the fleet status report dated 19 August 2022, which is available at Maersk Drilling's investor relations page https://investor.maerskdrilling.com.

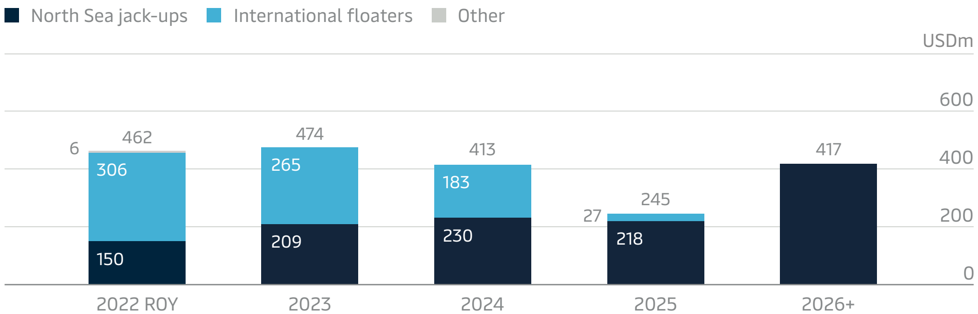
Forward contract coverage



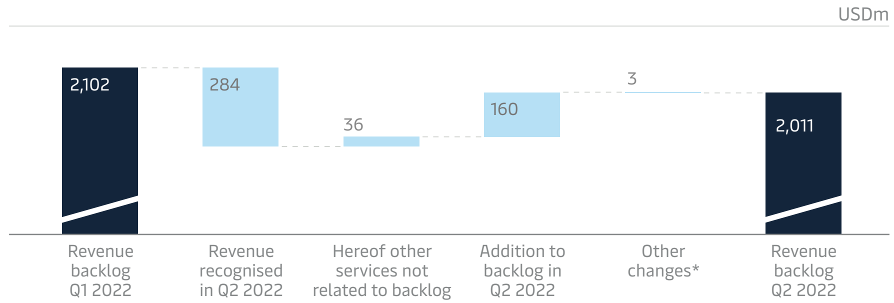
Average backlog day rate



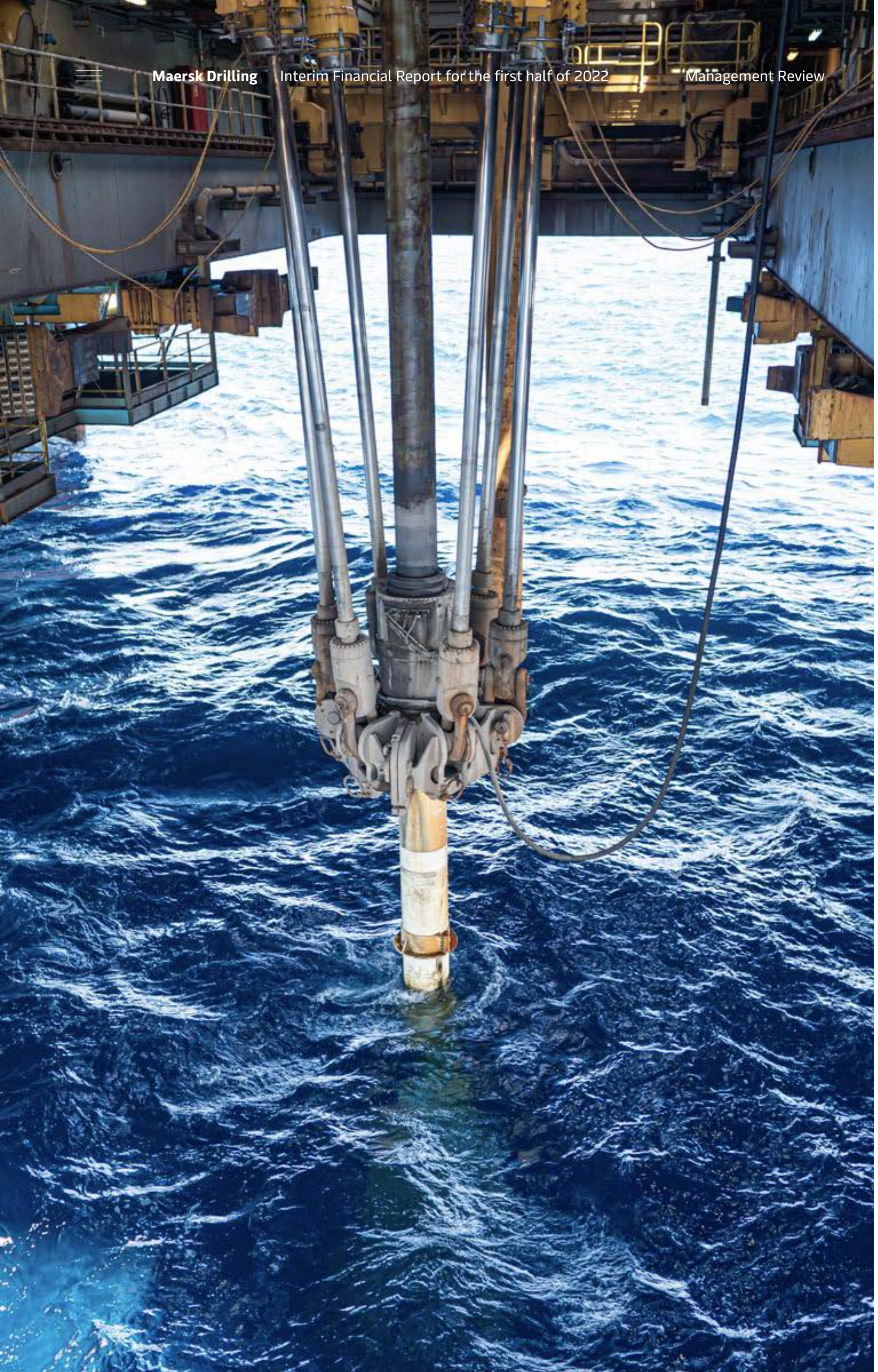
Revenue backlog



Development of revenue backlog in Q2 2022



* Other changes include extra days on contract



Market update

(Q1 2022 in brackets unless otherwise stated)

In the second quarter of 2022, utilisation across both segments continued to trend upwards, primarily as a result of increased demand, especially for global floaters. Simultaneously, the number of marketed units continued to decrease across both segments, leading to significant increases in marketed utilisation that has now reached multi-year highs.

The North Sea jack-up market saw an increase in activity with average demand growing to 30 units (Q1 2022: 28 units), while the average marketed supply decreased to 35 units (Q1 2022: 37 units), driving an increase in average marketed utilisation to 85% (Q1 2022: 76%), the highest it has been since 2015. At the end of Q2 2022, the one-year forward contract coverage for North Sea jack-ups increased slightly to 42% (end of Q1 2022: 39%) reflecting that an increasing share of available jack-up rig capacity in the North Sea is contracted in the coming 12 months. This was due to an uptick in activity for North Sea jack-ups as well as the exit of certain rigs from the market bound for the Middle East.

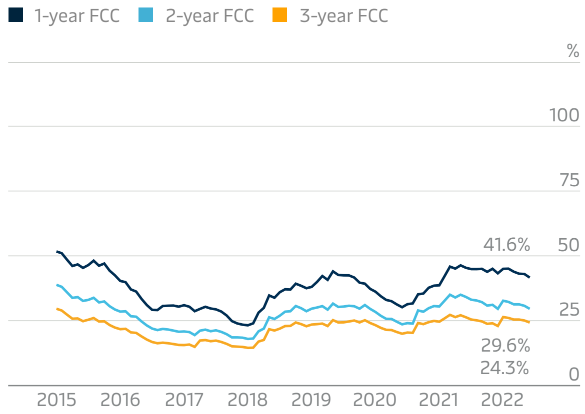
In the Norwegian sub-segment, there continues to be limited tender opportunities with commencement in 2022. This is due to a forecasted oversupply of jack-ups in Norway in 2022 relative to demand. The effects from changes made to Norway's petroleum taxation laws, implemented towards the end of 2021 by the Norwegian government, continue to encourage investment in more costly floater projects, at the expense of historically less cost intensive jack-up work. Furthermore, increased investment in domestic production, and thereby energy security, as a result of current geopolitical events has not yet materialised.

There continues to be significant upside for Maersk Drilling's Norwegian jack-up business and the company remains confident in the long-term prospects for the market. In 2023, tender opportunities are beginning to materialise, however Maersk Drilling cannot rule out the possibility for some idle time for certain rigs throughout the year. As the only operator with spare CJ-70 capacity, this could change in the future, as any incremental increases in demand are expected to have a positive impact on Maersk Drilling's industry leading position in the Norwegian North Sea.

The global floater market showed a noticeable uptick in activity with average demand significantly increasing to 120 units (Q1 2022: 103 units), while the average marketed supply decreased to 164 units (Q1 2022: 167), driving a meaningful improvement in the average marketed utilisation to 72% (Q1 2022: 62%), the highest it has been since 2015. At the end of Q2 2022, the one-year forward contract coverage for the global floater market improved to 49% (Q1 2022: 48%) and remains at the highest level seen since 2015.

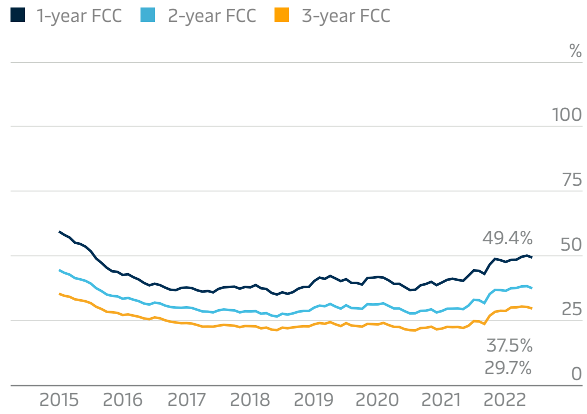
Supported by oil and gas prices that have stabilised at multi-year highs, as well as significant capacity having been removed since the last cyclical downturn in 2020, the global floater market is well-positioned to continue to benefit from an ongoing recovery in day rates and utilisation. Demand continues to increase, while utilisation for seventh generation drillships is now close to full capacity, driven by tight markets in the U.S. Gulf of Mexico, Brazil, West Africa, and South-East Asia. Forward contract coverage and marketed utilisation are now at the highest levels seen since 2015, while the average marketed supply of floaters has continued to decrease. Given current requirements, demand for global floaters is expected to increase in 2022 and beyond.

North Sea jack-up forward contract coverage

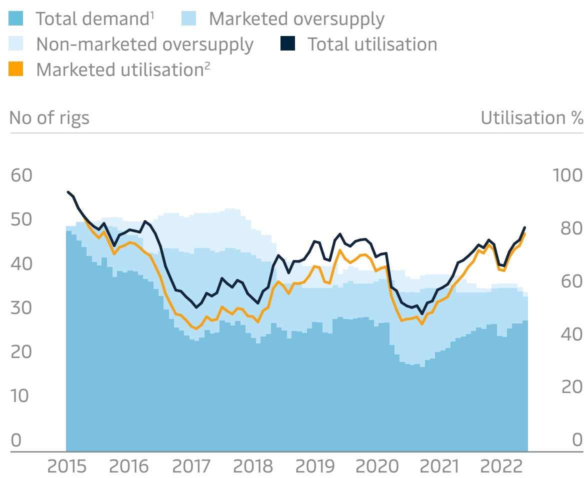


Source: IHS Rigpoint

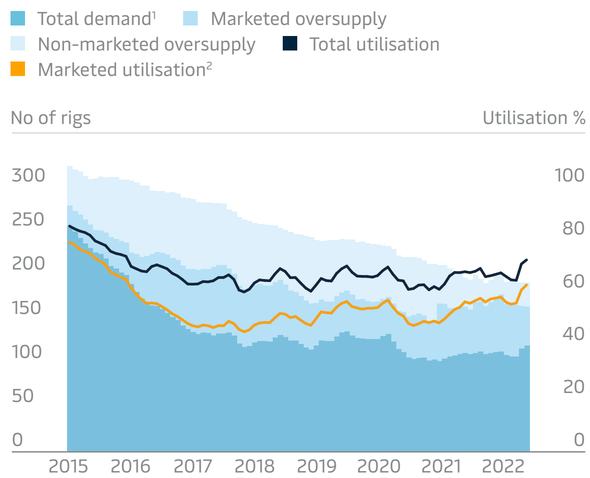
Global floater forward contract coverage



North Sea jack-up supply/demand and utilisation



Floater supply/demand and utilisation



1 'Total demand' counts days actually on contract and does not include any future commitments.
2 Marketed utilisation is calculated using marketed supply, defined as rigs which are actively offered for work in the near team.

Financial Review for the first half of 2022

Unless otherwise stated, comments in this section refer to H1 2022 performance (H1 2021)

Increased activity and continued positive market developments

The market for International floaters and North Sea jack-ups outside of Norway continued to show positive developments in the first half of 2022, driven by constructive commodity prices and a tight market for modern, high specification floaters. Utilisation for seventh generation drillships is now approaching full capacity, while contracts for North Sea jack-ups outside of Norway lengthened for a sixth straight quarter, gradually removing spare capacity. For Maersk Drilling, the first half of 2022 saw a strong operational performance and continued strategic and financial progress.

Furthermore, Maersk Drilling announced that it has entered into an agreement with ADES to sell the benign environment jack-up Maersk Convincer for USD 42.5m in an all-cash transaction. The rig is expected to be transferred to ADES following the completion of its current drilling contract with Brunei Shell Petroleum Company mid September 2022.

Closure of the previously announced divestments of Mærsk Inspirer, Maersk Guardian, and Mærsk Gallant in 2021 saw Maersk Drilling's financial position bolstered by USD 405m in cash. Proceeds from these divestments, along with free cash flow in 2021 of USD 157m, were used to significantly reduce the company's long-term debt in the first half of 2022. Maersk Drilling repaid debt totalling USD 295m, of which USD 226m was a voluntary loan repayment and USD 65m was as per the terms of the company's loan agreement. The voluntary debt repayment is expected to reduce cash interest costs by USD 12m on an annual run rate basis, further bolstering the company's financial position, while simultaneously increasing free cash flow to Maersk Drilling shareholders.

EBITDA before special items was USD 95m (USD 163m) equal to a margin of 17.9% (26.5%). The net result for the period was a loss of USD 172m (profit of USD 29m), negatively impacted by non-cash impairments taken on Maersk Explorer and Maersk Convincer.

Cash conversion was 49% (62%) impacted by a minor build-up in net working capital due to increased activity in the second quarter, and an increase in taxes paid. Investments in non-current assets were USD 67m (USD 36m) and mainly consisted of ongoing Maersk Invincible hybrid upgrades, the rig's 5-year special periodic survey, upgrade of ERP system and costs associated with preparations for Mærsk Developer's contract with Karoon Energy in Brazil which commenced in April 2022, partly offset by USD 4m cash advance related to the sale of Convincer.

Results

Revenue

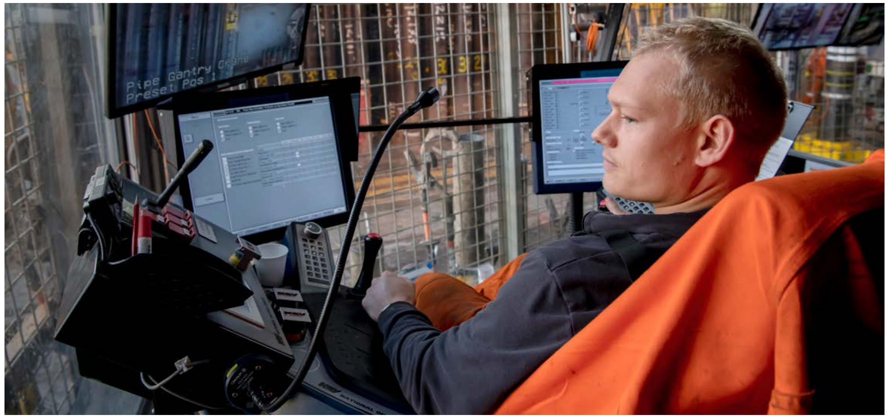
Revenue for the first six months of 2022 was USD 532m compared to USD 614m in the same period of 2021. Results were negatively impacted as higher utilisation across Maersk Drilling's fleet was more than offset by a lower average day rate due to an increased share of jack-up work compared to floater work.

The 'Other revenue' share of total revenues increased to 19.7% (19.4%) equal to USD 105m (USD 119m) in the first half of 2022, driven by the delivery of performance bonuses, additional services, and lump sum payments for rig mobilisations and demobilisations. Overall, out of a total of 21 new contracts and extensions signed in the first half of 2022, 17, or approximately 80%, included products from Maersk Drilling's catalogue of additional services marketed to customers. This is a positive development compared to the first half of 2021, where a total of 50% of contracts and extensions included products from additional services. This steady share of total revenue from additional services shows continued progress of Maersk Drilling's Smarter Drilling for Better Value strategic ambition where the company is focused on collaborating closer with customers for mutual gain, supplying them with a larger portion of the wide range of services needed to successfully complete a drilling campaign. The USD 14m decrease in other revenue compared to the first half of 2021 was primarily due to fewer COVID-19 related charges in the first half of 2022.

The total number of contracted days decreased to 2,572 from 2,719 in the first half of 2021, mainly due to the sale of Mærsk Inspirer. Total utilisation increased from 70% in the first half of 2021 to 77% in the first half of 2022 mainly due to an increase in overall activity within the North Sea segment, as well as the divestment of the previously idle rig, Mærsk Gallant, which was completed during the first half of 2021. The average day rate was USD 207k in the first half of 2022 compared to USD 226k in the first half of 2021.

EBITDA before special items

USD Million	**6 months 2022**	6 months 2021	Full year 2021
Revenue	532	614	1,267
Costs	437	451	921
EBITDA before special items	**95**	**163**	**346**
Margin	17.9%	26.5%	27.3%



Costs

Operating costs decreased to USD 437m from USD 451m in the first half of 2021 primarily due to fewer reactivation and mobilisation costs for previously stacked rigs, which were reactivated to commence contracts during the first half of 2021. Sales, general and administrative expenses (SG&A) were lower at USD 37m compared to USD 39m in the first half of 2021.

EBITDA before special items per segment

For the first six months of 2022, EBITDA before special items was USD 95m (USD 163m), equal to a margin of 17.9% (26.5%), negatively impacted by Maersk Highlander and Maersk Explorer being idle, which were fully contracted and contracted until April 2021 in the previous period, respectively.

EBITDA before special items was USD 61m (USD 130m) for the North Sea jack-up segment and USD 26m (USD 25m) for the International floater segment, respectively. The decline in the North Sea jack-up segment was primarily due to Maersk Highlander being idle and Maersk Integrator successfully completing its previous drilling campaign in Norway at the end of 2021 and subsequently performing well intervention work at a lower dayrate during the first half of 2022.

Special items

Special items amounted to a cost of USD 11m (USD 11m) and were comprised of USD 9m in merger related costs and USD 2m of COVID-19 related costs that were not recharged to customers. Special items incurred in the first half of 2021 comprised of USD 1m of redundancy costs from the establishment of virtual rig teams and a new technical hub in Gdansk and net COVID-19 related costs of USD 10m.

Impairments

In connection with the decision to cold stack the benign floater, Maersk Explorer, an impairment of USD 99m was recognised at 30 June 2022. Furthermore, an impairment of USD 19m was recognised at 30 June 2022 for the jack-up, Maersk Convincer, as the net book value of the rig exceeded the sales price. Maersk Convincer is expected to be divested following the successful completion of its current contract mid September 2022.

Gain/loss on sale of non-current assets
No gain or loss on the sale of non-current assets was recorded in the first half of 2022.

Financial income and expenses
Net financial expenses amounted to USD 28m (USD 32m), lower mainly due to a lower borrowings outstanding.

Tax
The total tax expense of USD 12m in the first half of 2022 (USD 12m) includes a USD 3m adjustment of previous years. Tax for 2021 also included a USD 3m adjustment from previous years. Cash tax paid during the first half of 2022 amounted to USD 27m (USD 18m) primarily comprised of income and withholding taxes paid in the countries in which Maersk Drilling operates.

Cash flows

Cash flow from operating activities
Cash flow from operating activities was USD 41m (USD 94m) equal to a cash conversion of 49% (62%), negatively impacted primarily by a lower EBITDA, as well as an increase in taxes paid.

Cash flow used for investing activities
Cash flow used for investing activities amounted to USD 67m for the first six months of 2022 (USD 11m) comprised of expenditures related to the ongoing Maersk Invincible hybrid rig upgrades, 5-year special periodic survey, upgrade of ERP system and expenditures associated with Mærsk Developer preparations for its contract with Karoon Energy in Brazil which commenced in April 2022, partly offset by USD 4m cash advance related to the sale of Convincer.

Cash flow from financing activities
Cash flow from financing activities was negative USD 315m for the first six months of 2022 (negative USD 109m) higher than the first six months of 2021, primarily driven by the voluntary loan repayment of USD 226m made in March as a result of Maersk Drilling's continued focus on reducing borrowings on outstanding credit facilities and interest costs using cash on hand.

Free cash flow amounted to negative USD 50m (positive USD 22m). The decrease in free cash flow was driven by a lower EBITDA as well as increases in capital expenditures and cash taxes paid compared to the first half of 2021.

Capital structure and funding

Equity
At 30 June 2022, equity amounted to USD 2,165m compared to USD 2,320m at 31 December 2021, negatively impacted by the non-cash impairment charge of USD 118m that was recognised for Maersk Explorer and Maersk Convincer as of 30 June 2022.

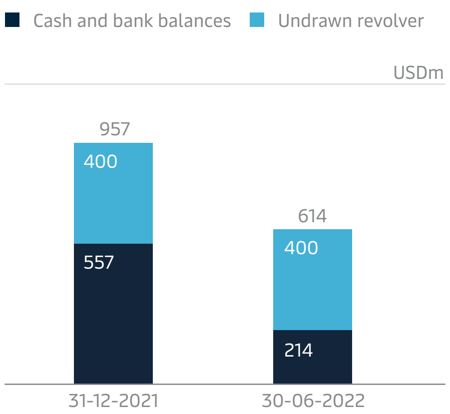
Net debt and liquidity position
The overall objective of Maersk Drilling's financial policy is to enable Maersk Drilling to manage through the cyclicality that characterises the offshore drilling industry with the aim to create long-term shareholder value. The financial policy ensures a high degree of financial flexibility, a long-term funding view to minimize refinancing risks and that Maersk Drilling continues to have a robust capital structure through the business cycle.

At 30 June 2022, net debt amounted to USD 555m (31 December 2021: USD 505m), comprising gross borrowings of USD 749m (31 December 2021: USD 1,037m), lease liabilities of USD 20m (31 December 2021: USD 25m), and cash and bank balances of USD 214m (31 December 2021: USD 557m).

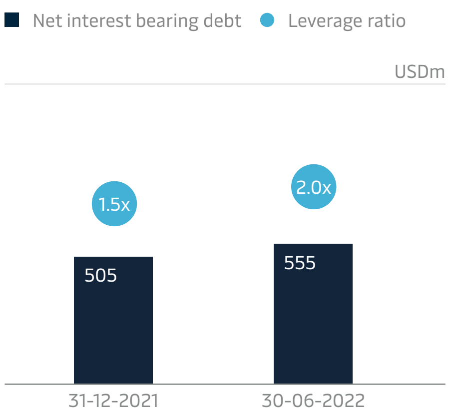
At 30 June 2022, liquidity reserves amounted to USD 614m (31 December 2021: USD 957m), comprising cash and bank balances of USD 214m (31 December 2021: USD 557m) and a fully available undrawn revolving credit facility of USD 400m (31 December 2021: USD 400m). The company's leverage ratio (defined as net interest-bearing debt to last twelve months EBITDA before special items) was 2.0x (31 December 2021: 1.5x).

As of 30 June 2022, Maersk Drilling continued to be in compliance with all of its debt covenants.

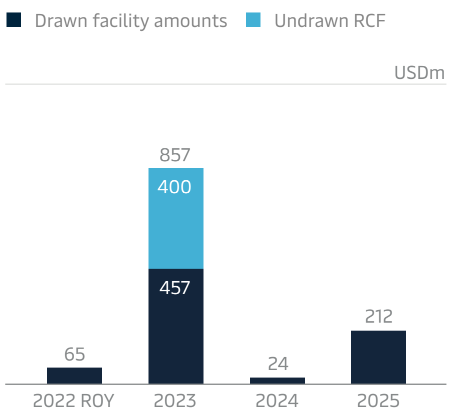
Total liquidity



Net interest bearing debt



Debt maturity profile



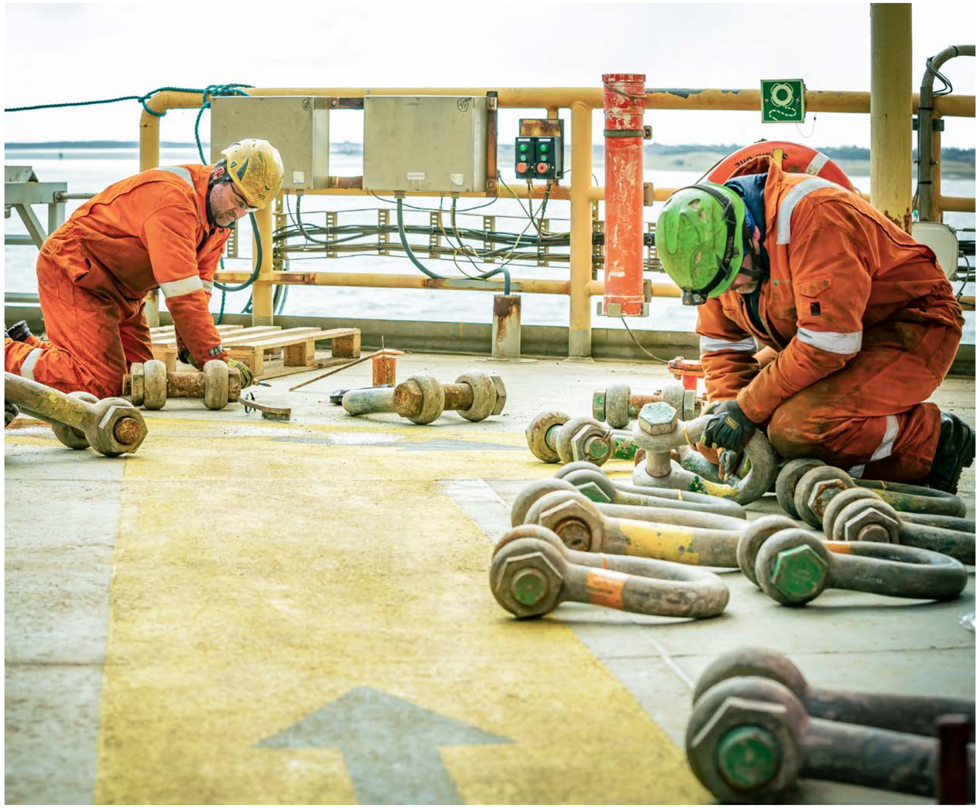
* Does not include potential repayment of debt for the sale of Mærsk Inspirer

Sustainability progress

The implementation of energy-efficient initiatives has resulted in an overall emissions intensity decrease in the first half of 2022 compared to the full year 2021 average

4.6%
Decrease of emissions per contracted day

4.9%
Decrease of emissions per drilled meter



Maersk Drilling's sustainability strategy focuses on three priority areas: Carbon Emissions, Diversity & Inclusion, and Safety. The strategy uses regular reporting on key performance indicators to track progress within the specific priority areas.

Carbon emissions

The implementation of energy-efficient initiatives has resulted in an overall emissions intensity decrease in the first half of 2022 compared to the full year 2021 average. Emissions per contracted day decreased by 4.6% mainly due to the successful rollout of an Energy Efficiency Embedded (EEE) campaign on all Maersk Drilling's deepwater floaters. The EEE also positively impacted Emissions per drilled meter which decreased by 4.9% in the first half of the year. Despite reductions from the EEE initiatives, Emissions per USD revenue increased by 6.4%, mainly due to legacy contracts with higher day rates coming to an end.

During H1 2022, key emissions reduction initiatives have included three specific projects that are targeted at achieving sustainable improvements in both the short and the long term:

- Energy Efficiency Insight (EEI) has included rolling out the EEI Advanced Analytics tool across so far 12 rigs. EEI significantly improves data collection and granularity which positively impacts the quality of emissions reporting and helps track and progress toward the overarching emissions reduction target.
- The Energy Efficiency Embedded (EEE) campaign has been implemented across all deepwater floaters with the aim of enabling energy-efficient operations. The campaign is driven by insights from EEI data which facilitates crew-led behavioural changes. This initiative is currently being rolled out to the jack-up fleet as well.
- Increased focus on customer engagement has resulted in an extended and more detailed green offering, while continuously enabling conversations on energy efficiency with the operator and harnessing customer support.

Diversity and inclusion

A cornerstone of Maersk Drilling's diversity and inclusion efforts has been a focus on increasing female diversity onshore. This includes the onshore female leadership target of 30% across all levels by 2023, of which the share decreased from 28% by the end of 2021 to 26% at the end of H1 2022. This was due to attrition following the announcement of the planned merger with Noble, reducing the opportunity to manage the retention and attraction of employees.

In H1 2022, the Diversity and Inclusion initiative was rescoped to include a heightened focus on offshore diversity, which is an industry-wide challenge. The pilot programme on board Mærsk Developer in Brazil is an initiative aimed at increasing female diversity offshore. The promising pilot programme included the set target of hiring five to ten female crew members, which has been surpassed to achieve 11 hired female crew members, including one female Marine Section Leader. Since then, rig facilities on board Mærsk Developer have been upgraded to be more inclusive of female crew members based on qualitative research.

Safety

Safety remained at an acceptable level in the first half of 2022. Several initiatives have been progressed including the Red Zone Control works to map which activities require access to 'red zones'. Access to the red zones is considered to be a deviation from the norm, which further requires a risk assessment. This initiative is supported by an increased focus on visible leadership and videos distributed to show acceptable versus unacceptable red zone behaviour.

Another initiative is refreshing the Safety as Capacity messages to facilitate discussion exercises on board the rigs with created materials to highlight expected behaviour. Supported by the initiatives, the frequency of lost-time incidents has progressed well from the 2021 level of 0.53 down to 0.26 in H1 2022, whereas the frequency of total recordable cases increased from 1.45 in 2021 to 1.82 in H1 2022, reflecting an increase in cases with a lower level of severity.

Female representation in onshore leadership decreased in H1 2022

26%

A decrease from 28% by the end of 2021

Lost-time incidents frequency progressed well in H1 2022

0.26

A decrease from 0.53 in 2021

Definitions

- Women in leadership – onshore (% based on headcount): Defined as women in management positions across all job position levels onshore.
- Lost Time Incident Frequency: LTIf measures the frequency of LTIs and fatality incidents per million person-hours divided by total hours worked. Lost Time Incident (LTI) is a work-related injury or illness to an employee which a physician or licensed health care professional recommends days away from work due to the incident.
- Frequency of Total Recordable Cases: TRCf measures the frequency of all recordable incident data (medical treatment cases, restricted work cases, lost time incidents and fatalities) per million person-hours divided by total hours worked.

Interim financial statements H1 2022

Consolidated income statement

USD Million	Note	**6 months 2022**	6 months 2021	Full year 2021
Revenue	1, 2	532	614	1,267
Cost of sales	3	-437	-451	-921
Profit before depreciation, amortisation, impairment losses/ reversals and special items (EBITDA before special items)		**95**	**163**	**346**
Special items	4	-11	-11	-21
Profit before depreciation, amortisation and impairment losses/reversals (EBITDA)		**84**	**152**	**325**
Depreciation and amortisation		-97	-106	-213
Impairment losses/reversals	5	-118	11	11
Gain/(loss) on sale of non-current assets	6	-	17	256
Share of results in joint ventures		-1	-1	-1
Profit/loss before financial items		**-132**	**73**	**378**
Financial expenses, net		-28	-32	-61
Profit/loss before tax		**-160**	**41**	**317**
Tax		-12	-12	-26
Profit/loss for the period		**-172**	**29**	**291**
Earnings in USD per share of DKK 10 for the period	7	-4.2	0.7	7.0
Diluted earnings in USD per share of DKK 10 for the period	7	-4.2	0.7	7.0

Consolidated statement of comprehensive income

USD Million	**6 months 2022**	6 months 2021	Full year 2021
Profit/loss for the period	**-172**	**29**	**291**
Cash flow hedges:			
Value adjustment of hedges for the period	4	-2	-3
Reclassified to income statement	11	4	11
Total items that have or will be reclassified to the income statement	**15**	**2**	**8**
Other comprehensive income, net of tax	**15**	**2**	**8**
Total comprehensive income for the period	**-157**	**31**	**299**

Consolidated cash flow statement

USD Million	**6 months 2022**	6 months 2021	Full year 2021
Profit/loss before financial items	-132	73	378
Depreciation, amortisation and impairment losses/reversals, net	215	95	202
Gain/loss on sale of non-current assets, etc., net	-	-17	-256
Change in working capital	-17	-39	-8
Change in provisions, etc.	-1	-2	-14
Other non-cash items	3	2	6
Taxes paid, net	-27	-18	7
Cash flow from operating activities	**41**	**94**	**315**
Purchase of intangible assets and property, plant and equipment	-71	-43	-101
Sale of property, plant and equipment	4	33	405
Other financial investments, net	-	-1	-3
Cash flow from/used for investing activities	**-67**	**-11**	**301**
Interest received	1	-	-
Interest paid	-21	-28	-54
Repayment of borrowings	-295	-81	-229
Cash flow from financing activities	**-315**	**-109**	**-283**
Net cash flow for the year	**-341**	**-26**	**333**
Cash and bank balances 1 January	557	226	226
Currency translation effect on cash and bank balances	-2	-1	-2
Cash and bank balances end of period	**214**	**199**	**557**
Free cash flow			
Cash flow from operating activities	41	94	315
Cash flow from/used for investing activities	-67	-11	301
Sale of assets or activities	-4	-33	-405
Net interest payments	-20	-28	-54
Free cash flow	**-50**	**22**	**157**

Cash and bank balances comprise cash on hand, Money Market Funds and short-term deposits which are readily convertible to cash.

Cash and bank balances at 30 June 2022 include USD 20m (30 June 2021: USD 25m, 31 December 2021: USD 13m) that relates to cash and bank balances in countries with exchange control or other restrictions. These funds are not readily available for general use by Maersk Drilling.

Consolidated balance sheet

USD Million	Note	**30 June 2022**	30 June 2021	31 December 2021
Assets				
Intangible assets		20	11	14
Property, plant and equipment		2,622	2,848	2,813
Right-of-use assets		21	26	23
Financial non-current assets, etc.		8	6	6
Deferred tax		17	18	17
Total non-current assets		**2,688**	**2,909**	**2,873**
Trade receivables		214	258	238
Tax receivables		3	18	4
Other receivables		50	73	54
Prepayments		49	61	56
Receivables, etc.		**316**	**410**	**352**
Cash and bank balances		214	199	557
Assets held for sale	6	39	139	-
Total current assets		**569**	**748**	**909**
Total assets		**3,257**	**3,657**	**3,782**

USD Million	Note	**30 June 2022**	30 June 2021	31 December 2021
Equity and liabilities				
Share capital		63	63	63
Reserves and retained earnings		2,102	1,987	2,257
Total equity		**2,165**	**2,050**	**2,320**
Borrowings, non-current[1]		**633**	**1,072**	**926**
Provisions		9	5	9
Deferred tax		26	15	27
Derivatives		-	25	16
Other non-current liabilities		**35**	**45**	**52**
Total non-current liabilities		**668**	**1,117**	**978**
Borrowings, current		**136**	**136**	**136**
Provisions		2	13	2
Trade payables		137	185	164
Tax payables		61	64	77
Other payables		50	47	65
Deferred income		38	45	40
Other current liabilities		**288**	**354**	**348**
Total current liabilities		**424**	**490**	**484**
Total liabilities		**1,092**	**1,607**	**1,462**
Total equity and liabilities		**3,257**	**3,657**	**3,782**

1 Maersk Drilling made a voluntary loan repayment of UDS 226m in March 2022. The maturities of the Group's total loan facilities, comprising term loans drawn in full and the undrawn committed revolving facility, are illustrated in the chart on page 13

Consolidated statement of changes in equity

USD Million	Share capital	Reserve for hedges	Retained earnings	**Total equity**
Equity 1 January 2022	**63**	**-22**	**2,279**	**2,320**
Other comprehensive income, net of tax	-	15	-	15
Loss for the period	-	-	-172	-172
Total comprehensive income for the period	**-**	**15**	**-172**	**-157**
Value of share-based payments	-	-	2	2
Total transactions with shareholders	**-**	**-**	**2**	**2**
Equity 30 June 2022	**63**	**-7**	**2,109**	**2,165**
Equity 1 January 2021	**63**	**-30**	**1,984**	**2,017**
Other comprehensive income, net of tax	-	2	-	2
Profit for the period	-	-	29	29
Total comprehensive income for the period	**-**	**2**	**29**	**31**
Value of share-based payments	-	-	2	2
Total transactions with shareholders	**-**	**-**	**2**	**2**
Equity 30 June 2021	**63**	**-28**	**2,015**	**2,050**

Notes

Note 1 Segment information

The allocation of business activities into segments is in line with the internal management reporting provided to the chief operating decision maker which is Executive Management. Management has organised its business around the North Sea segment which utilises Jack-up rigs and an International segment which utilises semi-submersible rigs and drillships. The organisation is based on differences in the requirements of the drilling equipment due to geographical conditions and regulatory considerations. In general, rigs will be deployed in the operating areas for which they are designed, we therefore typically refer to them as 'two different operating segments'. Jack-up rigs and floaters typically form separate segments as they are used for drilling programmes at different water depths. No operating segments have been aggregated.

USD Million				**6 months 2022**
	North Sea Jack-up rigs	International Floaters	Unallocated activities	Total
Revenue	237	279	16	532
EBITDA before special items	61	26	8	95
EBITDA margin before special items	26%	9%	50%	18%
Depreciation and amortisation	-48	-43	-6	-97
Impairment reversals (losses), net	-	-99	-19	-118
Investments in non-current assets[1]	21	36	10	67
Non-current assets[1]	1,577	1,033	32	2,642

USD Million				6 months 2021
	North Sea Jack-up rigs	International Floaters	Unallocated activities	Total
Revenue	326	274	14	614
EBITDA before special items	130	25	8	163
EBITDA margin before special items	40%	9%	57%	27%
Depreciation and amortisation	-63	-37	-6	-106
Impairment reversals (losses), net	11	-	-	11
Investments in non-current assets[1]	13	17	6	36
Non-current assets[1]	1,640	1,139	80	2,859

1 Comprises 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 are 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 thirdparty services to be delivered by Maersk Drilling.

For revenue, geographical information is based on geographical location where earned. The geographical split and types of revenue are as follows:

USD Million				**6 months 2022**
	North Sea Jack-up rigs	International Floaters	Other	Total
Geographical split				
Denmark	10	-	1	11
Norway	178	-	-	178
United Kingdom	32	-	-	32
The Netherlands	17	-	-	17
Australia	-	63	-	63
Ghana	-	51	-	51
Guyana	-	12	-	12
Malaysia	-	33	-	33
Namibia	-	13	-	13
Sao Tome	-	25	-	25
Suriname	-	40	-	40
Trinidad	-	23	-	23
Other	-	19	15	34
Total	**237**	**279**	**16**	**532**
Composition of revenue				
Day rate revenue	194	219	14	427
Other revenue	43	60	2	105
Total	**237**	**279**	**16**	**532**
Type of revenue				
Services component	140	224	10	374
Lease component	97	55	6	158
Total	**237**	**279**	**16**	**532**

USD Million				6 months 2021
	North Sea Jack-up rigs	International Floaters	Other	Total
Geographical split				
Denmark	7	-	1	8
Norway	242	-	-	242
United Kingdom	66	-	-	66
The Netherlands	11	-	-	11
Angola	-	45	-	45
Australia	-	44	-	44
Azerbaijan	-	37	-	37
Ghana	-	23	-	23
Suriname	-	56	-	56
Trinidad	-	42	-	42
Other	-	27	13	40
Total	**326**	**274**	**14**	**614**
Composition of revenue				
Day rate revenue	265	218	12	495
Other revenue	61	56	2	119
Total	**326**	**274**	**14**	**614**
Type of revenue				
Services component	171	183	12	366
Lease component	155	91	2	248
Total	**326**	**274**	**14**	**614**

At 30 June 2022, the revenue backlog of contracted future service and lease revenue amounted to USD 2.0bn (31 December 2021: USD 1.9bn).

Note 3 Costs

USD Million	**6 months 2022**	6 months 2021	Full year 2021
Operating costs	399	408	836
Innovation	1	4	5
Sales, general and administrative costs	37	39	80
Total costs	**437**	**451**	**921**

Note 4 Special items

USD Million	**6 months 2022**	6 months 2021	Full year 2021
Merger related costs	9	-	8
Transformation and restructuring costs	-	1	1
Covid-19 costs not recharged to customers	2	10	12
Special items, costs	**11**	**11**	**21**

Special items comprise non-recurring income and expenses that are not considered to be part of Maersk Drilling's ordinary operations such as merger related costs, major restructuring projects and COVID-19 related costs. COVID-19 related costs are defined as additional costs triggered by the COVID-19 pandemic in the form of costs incurred to comply with local travel and quarantine rules and customer requirements, additional costs incurred with procuring testing kits for crews operating rigs, additional crew change costs for quarantine hotels, charter flights, per diems as well as additional costs to reimburse subcontractors in instances where they need to comply with quarantine regulations.

Special items incurred in H1 2022 comprised USD 9m merger related costs and USD 2m of COVID-19 related costs not recharged to customers. Special items incurred in H1 2021 comprised redundancy costs from the establishment of virtual rig teams and a new technical hub in Gdansk of USD 1m and net COVID-19 related costs of USD 10m.

Note 5 Impairment test

2022
Maersk Explorer was cold stacked in May 2022 due to lack of commercial outlook and therefore it was impaired to estimated scrapping value. This resulted in an impairment loss of USD 99m.

Apart from the USD 99m impairment loss on Maersk Explorer and the USD 19m impairment loss in connection with the sale of Maersk Convincer, no impairment triggers have been identified that would lead to an impairment test. Therefore, no further impairment losses nor impairment reversals were recognised in the first six months ended 30 June 2022.

2021
In connection with the sale of Mærsk Gallant in May 2021, an impairment loss of USD 11m has been reversed.

In connection with the valuation of the Company in a contemplated business combination, Maersk Drilling's net assets were assessed by the accounting acquirer as part of this transaction at values below their carrying amounts as at September 30, 2021 and Management concluded that an impairment test needed to be performed.

An impairment test based on a value in use calculation was therefore performed, and the conclusion was that the impairment test did not lead to impairment or reversal of previously recognized impairments.

Note 6 Sale of non-current assets

USD Million	**6 months 2022**	6 months 2021	Full year 2021
Gains	-	17	256
Gain on sale of non-current assets, net	**-**	**17**	**256**
Carrying amount of non-current assets	-	15	149
Gain/(losses) on sale of non-current assets	-	17	256
Cash advance from sale of non-current assets	4	-	-
Change in payables from the sale	-	1	-
Cashflow from sale of non-current assets	**4**	**33**	**405**
Carrying amount of asset held for sale	**39**	**139**	**-**

In April 2022, Maersk Drilling announced that it entered into an agreement to sell the jack-up rig Maersk Convincer to ADES Saudi Limited Company. The sales price is USD 42.5m in an all cash transaction of which USD 4m was received in April 2022. Expecting closing date is mid September 2022 after the completion of its current drilling programme with Brunei Shell Petroleum Company Sdn. Bhd.

An impairment loss of USD 19m was recognised after the sales agreement was announced and the rig was subsequently classified as asset held for sale.

During the second quarter of 2021, Maersk Drilling completed the divestment of the jack-up rigs Maersk Guardian (now named Guardian) and Mærsk Gallant (now named Gallant) to New Fortress Energy. The total sales price for the two rigs was USD 31m in all-cash transactions. Additionally, USD 2m were collected from the sale of spare parts owned by Mærsk Gallant.

In May 2021, Maersk Drilling further announced that it entered into an agreement to divest the combined drilling and production unit Mærsk Inspirer to Havila Sirius for a price of USD 373m in an all-cash transaction. In connection with the sales announcement, Mærsk Inspirer was classified as held for sale and depreciation of the asset was ceased. The sale was completed in 2021.

Note 7 Share capital and earnings per share

The share capital comprises 41,532,112 shares of DKK 10 each. At 30 June 2022, the Company holds 141,402 treasury shares (30 June 2021: 241,397) and the average number of shares in circulation during the first half of 2022 was 41,340,712 (30 June 2021: 41,289,832).

Earnings per share amounted to USD -4.2 (USD 0.7) and diluted earnings per share USD -4.2 (USD 0.7).

Earnings per share is equal to profit/loss for the period divided by the average number of shares in circulation or the average diluted number of shares in circulation.

At 30 June 2022 a potential dilution effect from 297,031 shares (30 June 2021: 291,342 shares) outstanding under the long-term incentive programme is excluded in the calculation of diluted earnings per share as the inclusion would have resulted in a reduction in the loss per share, while in 2021 it was included.

Note 8 Capital commitments

At 30 June 2022, capital commitments relating to rig upgrades and special periodic surveys amounted to USD 64m (31 December 2021: USD 38m). Maersk Drilling does not have capital commitments related to new buildings.

Note 9 Subsequent events

In connection with the business combination between Noble and Maersk Drilling, which was announced on 10 November 2021, on 8 August 2022 Noble published an offer document setting out the full terms and conditions to the voluntary public share exchange offer to be made to the shareholders of Maersk Drilling. The offer period commenced on 10 August 2022 and will expire on 8 September 2022 unless extended in accordance with applicable law and with completion of the exchange offer expected on 3 October 2022. Completion of the exchange offer and of the business combination between Noble and Maersk Drilling is subject to certain conditions being satisfied or waived by Noble (in its sole discretion), including the receipt of approval from the UK Competition and Markets Authority, as well as Noble having obtained acceptances, or otherwise having acquired shares, representing at least 80% of the outstanding share capital and voting rights of Maersk Drilling, excluding any Maersk Drilling treasury shares. Subject to completion of the exchange offer, Noble intends to delist Maersk Drilling from Nasdaq Copenhagen at an appropriate time and to the extent permitted by Nasdaq Copenhagen. Further, if the exchange offer is accepted by shareholders representing in total more than 90% of all Maersk Drilling shares and voting rights, Noble intends to initiate and complete a compulsory purchase of the remaining minority Maersk Drilling shares in accordance with the Danish Companies Act.

No other events have occurred after the balance sheet date which are expected to have a material impact on the consolidated financial statements.

Note 10 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.

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 accounting policies, judgements and significant estimates are consistent with those set out in the notes to the consolidated financial statements for 2021. New standards, amendments and interpretations effective for the financial year 2022 have not had any material impact on the accounting policies applied.

Statement of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management have today considered and adopted the Interim Financial Report of The Drilling Company of 1972 A/S for the period 1 January – 30 June 2022.

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 further requirements in the Danish Financial Statements Act. The accounting policies remain unchanged from the 2021 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 2022, and of the results of the Group's operations and cash flows for the period 1 January – 30 June 2022.

Furthermore, in our opinion, the Management Review includes a fair review of the development in the Group's operations and financial conditions, the results for the period, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group faces, relative to the disclosures in the Annual Report for 2021.

Copenhagen, 19 August 2022

Executive Management

Jørn Madsen
CEO

Christine Brennet (Morris)
CFO

Board of Directors

Claus V. Hemmingsen
Chairman

Robert M. Uggla
Vice Chairman

Martin Larsen

Alastair Maxwell

Ann-Christin Andersen

Kristin H. Holth

Caroline Alting

Glenn Gormsen

Important notice

Webcast

In connection with the release of the H1 2022 Interim Financial Report, Executive Management will host a conference call on Friday 19 August at 10:00 a.m. CEST.

The conference call can be followed live via webcast on https://getvisualtv.net/stream/?maersk-drilling-h1-2022-interim-financial-report.

The presentation slides for the conference call will be available beforehand at https://investor.maerskdrilling.com/financial-reports-presentations.

For further information, please contact:

Michael Harboe-Jørgensen
Head of Investor Relations
Phone: +45 2328 5733
E-mail: Michael.Harboe-Jorgensen@maerskdrilling.com

Kristoffer Apollo
Head of Media Relations
Phone: +45 2790 3102
E-mail: Kristoffer.Apollo@maerskdrilling.com

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 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 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.

Third-party data and information

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The Drilling Company of 1972 A/S
Lyngby Hovedgade 85
2800 Kgs. Lyngby
Denmark

maerskdrilling.com