Q1 2022 Trading Statement

The Drilling Company of 1972 A/S
Lyngby Hovedgade 85
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Company registration no. 40404716
ISIN: DK0061135753
Ticker: DRLCO

MAERSK DRILLING

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Webcast
In connection with the release of the Q1 2022 Trading Statement, Executive Management will host a conference call on Thursday 12 May at 10:00 a.m. CEST.

The conference call can be followed live via webcast here: https://getvisualtv.net/stream/?maersk-drilling-q1-2022-trading-statement

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

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Performance highlights for Q1 2022

(Q4 2021 in brackets unless otherwise stated)

248m
Revenue in USD million (USD 320m)

1,158
Contracted days (1,376) resulting in a utilisation of 68% (78%)

214k
Average day rate in USD (USD 233k)

98.8%
Financial uptime (96.9%)

357m
Total value of secured contracts in USD (USD 1.1bn)

2.1bn
Revenue backlog in USD as of 31 March 2022 (USD 1.9bn as of 31 December 2021)

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.

The guidance range reflects ordinary operational and performance uncertainties. Profitability guidance for 2022 is partly secured through the current contract backlog, and requires that additional contracts are secured within both the North Sea and International divisions.

"I am very pleased with our commercial and operational performance during the first quarter. I am particularly proud of our safety performance where we are seeing continued improvements. We added USD 357m to our backlog which is now at its highest since 2019 and we maintained a very high level of financial uptime while successfully preparing multiple rigs for contracts. A full market recovery is evident in the floater segment in particular, and Maersk Drilling remains strongly positioned with our continued strategic progress."

Jørn Madsen
CEO

Q1 2022 Performance

Unless otherwise stated, comments in this section refer to Q1 2022 performance (Q4 2021 in brackets)

Revenue development
Revenue for Q1 2022 of USD 248m (USD 320m) was 23 percent lower compared to Q4 2021 due to a decline in utilisation and a lower average dayrate as six rigs were preparing to start new contracts during the quarter. This was partially offset by a strong operational performance which resulted in higher fleet-wide financial uptime compared to the previous quarter.

Business driver development
Contracted days of 1,158 (1,376) decreased quarter-over-quarter, as multiple rigs rolled off contracts during the quarter and were preparing for new contracts.

Utilisation of 68% (78%) for Q1 2022 was lower sequentially largely due to the Mærsk Developer, which spent the first quarter idle after completing its previous contract in November 2021 and the Maersk Integrator which spent the majority of the quarter preparing for a new contract that commenced in March 2022.

The average day rate of USD 214K (USD 233K) in Q1 2022 was lower compared to Q4 2021 due to mainly Maersk Viking and Maersk Voyager being on lower dayrates versus Q4 2021.

Financial uptime remained high at 98.8% (96.9%) reflecting a continued strong operational performance by the active fleet throughout the quarter.

North Sea jack-ups

Revenue development
Revenue in the North Sea segment of USD 119m for Q1 2022 (USD 159m) decreased 25 percent due to lower utilisation compared to the previous quarter. Quarter-over-quarter revenue was negatively impacted by Maersk Integrator, Maersk Resolve, and Maersk Reacher, all of which successfully completed previous contracts in November 2021, January 2022 and March 2022, respectively.

All three rigs spent parts of the first quarter preparing for new contracts that have either commenced in the first quarter or will commence during the second quarter. Furthermore, revenue was lower due to the Maersk Highlander, which successfully completed its previous campaign in November 2021 and spent the first quarter warm-stacked.

Business driver development
Contracted days of 528 (666) decreased quarter-over-quarter due to multiple rigs rolling off contracts and preparing for new contracts in the first quarter.

Utilisation of 59% (70%) decreased as Maersk Integrator completed its previous contract in November 2021 and spent the majority of the first quarter ramping up for contract commencement. Utilisation was also negatively impacted by Maersk Resolve and Maersk Reacher, both of which experienced higher idle time quarter-over-quarter, and by Maersk Highlander, which successfully completed its previous contract in November 2021 and spent the first quarter warm stacked.

An average day rate of USD 225K (USD 240K) in Q1 2022 was lower due to a high dayrate on Mærsk Inspirer in October 2021 before the divestment and due to a lower dayrate on Maersk Integrator in March 2022 compared to Q4 2021.

Financial uptime remained high at 99.8% (99.9%) in Q1 2022.

International floaters

Revenue development
Revenue in the International floater segment of USD 121m for Q1 2022 (USD 154m) decreased 21 percent compared to Q4 2021 primarily due to Mærsk Developer, which finished its previous contract in December 2021 and spent the first quarter preparing for contract commencement in Q2 2022.

Business driver development
Contracted days of 540 (618) and utilisation of 75% (84%) decreased sequentially due to the Mærsk Developer idle time in Q1 2022 while preparing for contract commencement in Q2 2022.

An average day rate of USD 225K (USD 248K) in Q1 2022 was lower due to Maersk Viking operating with a lower dayrate on its current contract in Malaysia compared to Q4 2021 and Maersk Voyager being on a stacking cost compensation rate during March 2022 compared to a full operating rate during Q4 2021.

A strong operational performance across the International division with financial uptime improving to 97.8% (93.8%) in Q1 2022.

Quarterly revenue and business drivers per segment

USD Million	North Sea	International	Total[1]
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	1,230	850	2,102
Q4 2021			
Revenue	159	154	320
Contracted days	666	618	1,376
Available days	947	736	1,775
Utilisation	70%	84%	78%
Average day rate (USDk)	240	248	233
Financial uptime	99.9%	93.8%	96.9%
Revenue backlog	1,191	675	1,896

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 and it is not reported separately due to its limited materiality.

Revenue backlog

As of 31 March 2022, the revenue backlog amounted to USD 2.1bn (31 December 2021: USD 1.9bn). During Q1 2022, a total of USD 357m was added to the revenue backlog from eight new contracts and contract extensions.

As of 31 March 2022, forward contract coverage for the remainder of 2022 was 68%, split 58% for the North Sea jack-up segment and 76% for the International floater segment. The average contractual backlog day rates for the remainder of 2022 were USD 130K for the North Sea jack-up segment and USD 240K for the International floater segment.

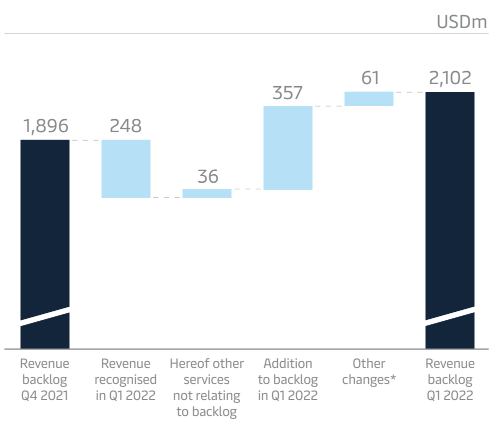
Subsequent to 31 March 2022, Maersk Drilling announced that it has entered into an agreement to divest Maersk Convincer to ADES for USD 42.5m in an all-cash transaction. This transaction is in line with Maersk Drilling's strategic priority of maintaining a jack-up fleet of modern, high-end assets with a concentration on activities in the North Sea.

The transaction is subject to customary closing conditions and the rig is expected to be transferred to ADES following the completion of its current drilling campaign in the second half of 2022. The transaction does not change Maersk Drilling's guidance for 2022.

Subsequent to 31 March 2022, Maersk Drilling was awarded five additional contracts and contract extensions bringing total year-to-date revenue backlog additions to more than USD 450m.

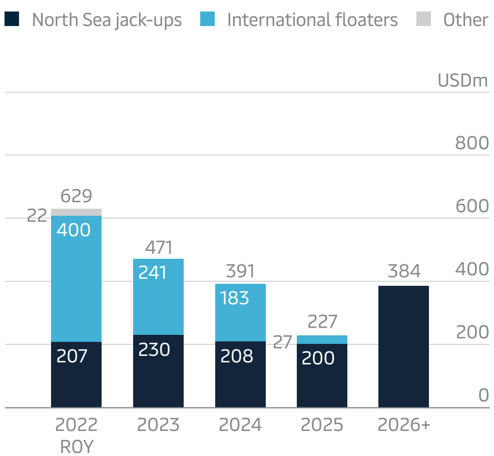
Detailed contract information for the rig fleet is provided in the fleet status report dated 12 May 2022, which is available at Maersk Drilling's investor relations page https://investor.maerskdrilling.com.

Development of revenue backlog in Q1 2022

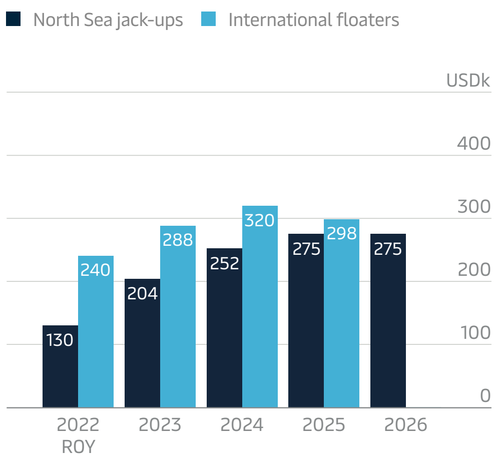


* Other changes include extra days on contract

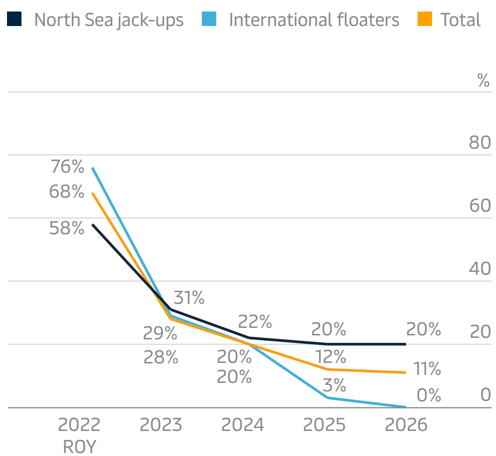
Revenue backlog



Average backlog day rate



Forward contract coverage



Market update

(Q4 2021 in brackets unless otherwise stated)

In the first quarter of 2022, utilisation decreased as demand was lower compared to the previous quarter, while the number of marketed units remained unchanged across both segments. Despite the sequential decrease in utilisation, broader positive developments continued across both key markets, especially for global floaters, where forward contract coverage has now reached the highest level since 2015.

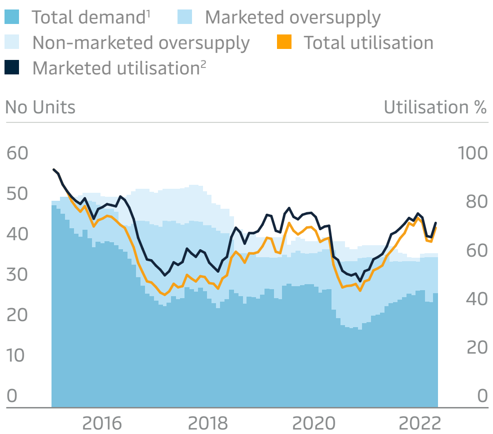
The North Sea jack-up market saw a slight decrease in activity with average demand declining to 28 units (29 units), while the average marketed supply remained unchanged at 37 units (37 units), driving a decrease in average marketed utilisation to 76% (78%). At the end of Q1 2022, the one-year forward contract coverage for North Sea jack-ups remained unchanged at 39% (39%).

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. While demand is likely to be subdued in 2022, it is expected to normalize in 2023 given the significant pipeline of economically viable subsea development projects in shallow waters. Maersk Drilling remains confident in the long-term prospects for the Norwegian jack-up market, as evidenced by the agreement to renew its five-year framework agreement with AkerBP for two Norwegian jack-ups with commencement at the end of 2022.

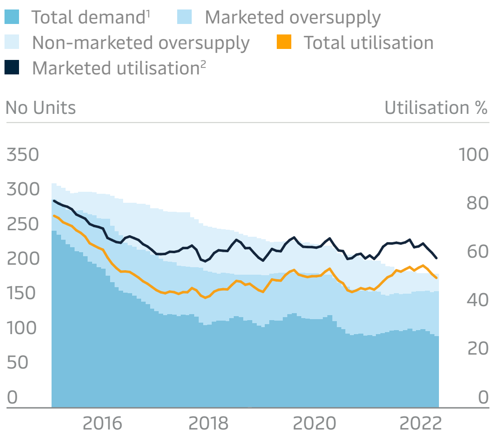
The activity in the global floater market decreased with average demand declining to 103 units (113 units), while the average marketed supply remained unchanged at 167 units (167 units), resulting in a decrease in marketed utilisation to 62% (68%). After the end of the first quarter of 2022, demand has since improved to 110 units and marketed utilisation has correspondingly returned to 68%. At the end of Q1 2022, the one-year forward contract coverage for the global floater market improved to 48% (47%), the highest it has been since August 2015.

Since the third quarter of 2020, excess capacity that was constraining the pace of recovery in the global floater market has been significantly reduced due to a combination of increased demand and significant rationalisations on the supply side. The average marketed oversupply of rigs has decreased to 25 rigs (Q3 2020: 51 rigs), with the demand for modern, high specification drillships improving significantly. Utilisation for 7th generation drillships is now approaching full capacity, driven by tight markets in the U.S. Gulf of Mexico, Brazil, West Africa, and South East Asia. Supported by the recovery in oil and gas prices and bilateral customer dialogues, Maersk Drilling expects demand to further build in 2022 and beyond.

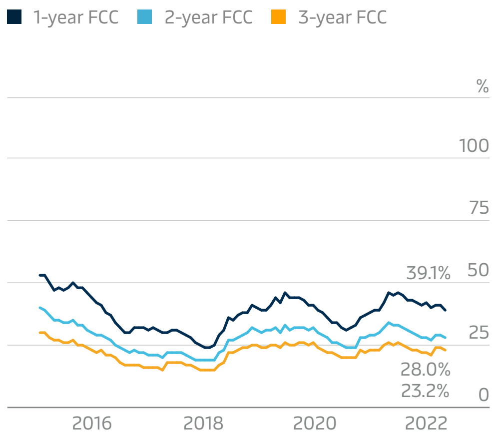
North Sea jack-up supply/demand and utilisation



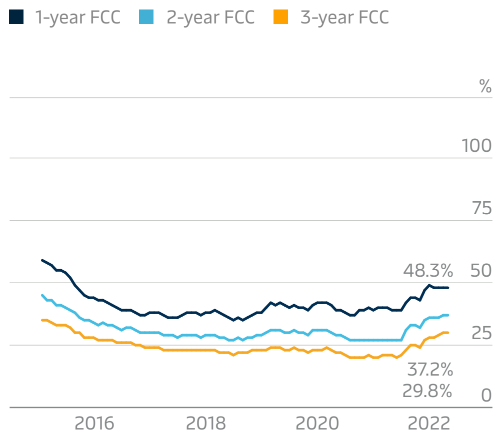
Floater supply/demand and utilisation



North Sea jack-up forward contract coverage



Global floater forward contract coverage



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.

Source: Petrodata by S&P Global

Important notice

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 and its subsidiaries and affiliated companies). 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 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.

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