

Mærsk Innovator Norge A/S

Lyngby Hovedgade 85
2800 Kgs. Lyngby
Company Reg. No. 27234054

Annual Report 2017

(Financial year No. 15)

As adopted by the Company at the Annual General Meeting
30 May 2018



Klaus Greven Kristensen

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Statement of the Board of Directors and Management

The Board of Directors and the Management have today discussed and approved the annual report for 2017 of Mærsk Innovator Norge A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act.


In our opinion, the Financial Statements provide a true and fair view of the Company's assets, liabilities, and financial position 31 December 2017 and of the results of the Company's operations for the financial year 2017.

It is also our opinion that the Management review includes a true and fair view of the development in the Company's operations and financial conditions, the results for the year and financial position.

We recommend that the annual report be approved at the Annual General Meeting.

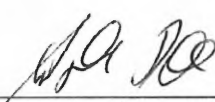
Lyngby, 30 May 2018

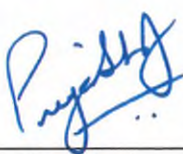
Management:



Per Gøbel

Board of Directors:



Angela Durkin
(Chairman)

Priya Saldanha Leth-Jørgensen

Klaus Greven Kristensen

Independent Auditor's Report

To the shareholder of Mærsk Innovator Norge A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Mærsk Innovator Norge A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 30 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33771231



Thomas Wraae Holm

State Authorised Public Accountant
mne 30141



Kim Danstrup

State Authorised Public Accountant
mne 32201

Management's Review

Company details

Mærsk Innovator Norge A/S
Lyngby Hovedgade 85
2800 Kgs. Lyngby

Company Reg. No.:	27234054
Date of incorporation:	27 June 2003
Registered office:	Lyngby
Financial	1 January 2017 - 31 December 2017

Board of Directors

Angela Durkin (Chairman)
Priya Saldanha Leth-Jørgensen
Klaus Greven Kristensen

Management

Per Gøbel

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Annual General Meeting

Annual General Meeting will be held 30 May 2018.

Management's Review

Financial Highlights and Key Figures

USD ('000)	2017	2016	2015	2014	2013
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Financial Highlights

Revenue	110,890	113,508	117,868	148,140	157,410
Result before financial items	6,490	10,283	6,210	8,882	10,781
Financial items, net	425	252	1,649	(1,564)	(1,428)
Result before tax	6,915	10,535	7,859	7,318	9,353
Result for the year	5,958	5,468	5,529	5,342	6,202

Total assets	45,688	32,760	28,999	40,426	39,454
Total equity (incl. proposed dividend)	11,735	14,777	16,309	17,780	18,438

Key Figures

Operating margin	6%	9%	5%	6%	7%
Return on invested capital	43%	63%	35%	47%	60%
Liquidity ratio	137%	187%	254%	186%	203%
Equity ratio	47%	45%	56%	44%	47%
Return on equity	31%	35%	32%	30%	36%

Management's Review

The Company's main activities

The Company's main activity is offshore drilling activity on the leased rig Mærsk Innovator. The Company is engaged in drilling activities in the Norwegian sector of the North Sea through a registered branch in Norway.

Development in activities and finances

The result for the year amounts to USD 5,958k (2016: USD 5,468k) which is higher than managements expectations. For 2018 management expect a result lower than 2017 as the company will end the drilling activity in Q3.

Particular risks

Financial exposure

The Company's revenue is mainly denominated in USD and NOK, while costs are in USD, NOK and other currencies. The currency exposure is not considered to be significant.

The Company has a small concentration of customers, but is not considered to have any credit risks.

Statutory statement on Corporate Social Responsibility in accordance with section 99a of the Danish Financial Statements Act

Please refer to the separate Sustainability Report 2017 of the ultimate parent company A. P. Møller - Mærsk A/S on the sustainability website at
https://www.maersk.com/-/media/business/sustainability/pdf/reports/apmm_sustainability_report_2017_a3_180221_final.ashx.

Sustainability

At Maersk Drilling, we firmly believe that by conducting our operations through sustainable practices, we ensure a sound and viable business for the future. We have a responsibility to the people who work for Maersk Drilling, but also to the people and the environment which are affected by our company. Our major focus area is safety, but we also put much effort into the areas of e.g. local content as well as environment and climate. Please refer to our online Sustainability Report 2017 at <http://www.maerskdrilling.com/>, in which we provide a complete overview of Maersk Drilling's work with sustainability and our sustainability performance.

Management's Review

Safety

It is our belief that fundamentally, safety is an active decision and the result of a serious commitment from all employees in Maersk Drilling, and we have an ambition of reaching zero incidents by 2018. Our people and the environment will only be safe with the right systems, procedures, technology, and a strong safety culture.

Local content

Training and developing the talent of local employees, assigning our third party code of conduct to local suppliers and transferring knowledge to local communities all continue to be a priority for Maersk Drilling. We want to move beyond compliance with local content requirements and to increase shared value by proactively engaging with stakeholders.

Environment & climate

Discharges, air emissions, and how we manage chemicals and waste are our primary focus areas when it comes to minimising the environmental impact of our operations. We work with our customers, local communities and internationally recognised bodies to ensure that environmental factors are integrated into our business principles and into operational practices.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

The composition of the company's board meets the requirements on diversity among the company's shareholder-appointed board members with respect to the under-represented gender.

As part of the Maersk Group, Mærsk Innovator Norge A/S' adheres to the group policy which was adopted at the Board Meeting in A.P. Møller - Mærsk A/S on 21 February 2013 with the aim to increase the share of the under-represented gender on the company's other management levels. In accordance with this policy, Mærsk Innovator Norge A/S has taken steps to look into how the company can attract qualified women to relevant management positions. In addition, this is a focus area when identifying candidates to key positions.

Financial Statements 1 January - 31 December

Accounting policies

The Financial Statements of Mærsk Innovator Norge A/S for 2017 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

In accordance with Sections 86(4) and 96(3) of the Danish Financial Statements Act, cash flow statement and note concerning fee to auditors appointed by the Company in the Annual General Meeting are omitted as this information is included in the consolidated Financial Statements for A.P. Møller - Mærsk A/S.

The accounting policies are unchanged from last year.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, write-downs and provisions and reversals as a result of changes in accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Financial Statements 1 January - 31 December

Accounting policies

Income statement

Revenue

Revenue from drilling activities, which are typically carried out under long-term agreements with fixed day rates, revenue is recognised for the operating time related to the financial year.

Other external cost

Other external costs comprise expenses incurred during the year for bare boat hire of the rigs (operating lease), repair and maintenance, catering, hired crew and administrative costs.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on result for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the result for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. The Company is part of A.P. Møller Holding A/S' joint taxation. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with refund concerning tax losses).

Balance sheet

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Financial Statements 1 January - 31 December

Accounting policies

Balance sheet

Current tax receivables and liabilities

Current tax liabilities and current tax receivables are recognized in the balance sheet as calculated tax on the taxable income adjusted for tax on prior years' taxable income and paid on account taxes.

Provisions

Provisions are recognised when the company has a current legal or constructive obligation, and if the amount can be measured reliably. Provisions are recognised on the basis of best estimates.

Financial debt

Other debts are recognised at amortised cost, which, essentially corresponds to the nominal value.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the date of the transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

USD is used as functional currency and as presentation currency because the majority of transactions are in U.S. dollars. At 31 December 2017 the exchange rate DKK/USD was 620.77 (2016: 705.50).

Financial Statements 1 January - 31 December

Accounting policies

Segment information

Segmental disclosures are provided on the geographical markets. Segment information is based on the Company's internal financial management.

Financial highlights

The financial highlights have been defined as follows:

Operating margin	$\frac{\text{Profit/loss before financial items} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Profit/loss before financial items} \times 100}{\text{Average invested capital}^1}$
Liquidity ratio	$\frac{\text{Total current assets} \times 100}{\text{Short-term liabilities}}$
Equity ratio	$\frac{\text{End year equity} \times 100}{\text{End year total assets}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

¹ Average invested capital is calculated excluding cash and cash equivalents, shares and non-interest bearing debt.

Financial Statements 1 January - 31 December

Income statement

Note		2017	2016
		USD ('000)	USD ('000)
1	Revenue	110,890	113,508
	Other external costs	(104,400)	(103,225)
	Result before financial items	6,490	10,283
2	Financial income	1,652	705
3	Financial expenses	(1,227)	(453)
	Result before tax	6,915	10,535
4	Tax on result for the year	(957)	(5,067)
	Result for the year	5,958	5,468

Financial Statements 1 January - 31 December

Balance sheet

Note	ASSETS	2017	2016
		USD ('000)	USD ('000)
	Current assets		
	Receivables		
	Trade receivables	18,668	19,059
	Receivables from group enterprises	26,653	13,517
	Other receivables	312	110
5	Prepayments, etc.	55	56
	Total receivables	45,688	32,742
	Cash and bank balances	0	18
	Total current assets	45,688	32,760
	TOTAL ASSETS	45,688	32,760

Financial Statements 1 January - 31 December

Balance sheet

Note	EQUITY AND LIABILITIES	2017	2016
		USD ('000)	USD ('000)
	Equity		
	Share capital	91	91
	Retained earnings	2,644	5,686
	Proposed dividend	9,000	9,000
	Total equity	11,735	14,777
	Provisions		
6	Other provisions	581	470
		581	470
	Short-term liabilities		
	Trade payables	2,944	3,595
	Payables to group enterprises	27,743	10,308
	Current tax payables	1,765	3,442
	Other payables	920	168
		33,372	17,513
	Total liabilities	33,953	17,983
	TOTAL EQUITY AND LIABILITIES	45,688	32,760
7	Appropriation		
8	Commitments and contingent liabilities, etc.		
9	Employee remuneration		
10	Related parties		
11	Shareholders		
12	Consolidation		
13	Events after the balance sheet date		

Financial Statements 1 January - 31 December

Equity statement

USD ('000)	Share- capital	Retained earnings	Proposed dividend	Total
Equity 1 January 2016	91	9,218	7,000	16,309
Dividend to shareholder	0	0	(7,000)	(7,000)
Result for the year	0	(3,532)	9,000	5,468
Equity 1 January 2017	91	5,686	9,000	14,777
Dividend to shareholder	0	0	(9,000)	(9,000)
Result for the year	0	(3,042)	9,000	5,958
Equity 31 December 2017	91	2,644	9,000	11,735

The share capital comprises 500 shares of DKK 1,000. No shares hold special rights. There has been no changes to the share capital during the past five financial years.

Financial Statements 1 January - 31 December

Notes

		2017 USD ('000)	2016 USD ('000)
1	Revenue		
	Revenue, Norway	110,890	113,508
		110,890	113,508
2	Financial income		
	Interest income from group enterprises	153	72
	Exchange gain from group enterprises	1,499	633
		1,652	705
3	Financial expenses		
	Interest expenses to group enterprises	(8)	(159)
	Exchange loss to group enterprises	(1,219)	(294)
		(1,227)	(453)
4	Tax on the result of the year		
	Tax for the year	(855)	(3,046)
	Adjustments to prior years tax for the year	(102)	(2,021)
		(957)	(5,067)

Financial Statements 1 January - 31 December

Notes

5 Prepayments, etc.

Current assets, prepayments USD 55k (2016: USD 56k) include advance payments for next year for insurance.

6 Other provisions

Provisions relate to operational costs and claims, pensions etc. for occurred events, but where the costs are subject to uncertainty. Provisions are recognised at Management's best estimate.

7 Appropriation

	2017	2016
	USD ('000)	USD ('000)
Proposed dividend	9,000	9,000
Retained earnings	(3,042)	(3,532)
	<u>5,958</u>	<u>5,468</u>

8 Commitments and contingent liabilities, etc.

Operating lease commitments

The Company has entered into operating lease contracts with an average annual lease of USD 32m (2016: USD 65m). The lease contracts expire after 13 months and include total nominal rest lease payments of USD 34m (2016: USD 94m).

Contingent liabilities

The Company is jointly taxed with all other Danish companies in the A.P. Møller Holding Group. As a fully owned subsidiary, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish company tax, withholding taxes on dividends, interest and royalties within the jointly taxed companies.

9 Employee remuneration

Mærsk Innovator Norge A/S has not had employees in 2017 and 2016. Personnel are hired from affiliates in the A.P. Møller - Mærsk Group. The Board of Directors has not been remunerated.

Financial Statements 1 January - 31 December

Notes

10 Related parties

The following related parties have a controlling interest in Mærsk Innovator Norge A/S;

The A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene formaal, Copenhagen, Denmark and A.P. Møller Holding A/S has control over the Maersk Group.

Other related parties with dominant influence include;

- A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K.
- Maersk Drilling A/S, Lyngby Hovedgade 85, 2800 Kgs. Lyngby. The parent company

Other related parties

Subsidiaries and affiliates to A.P. Møller - Holding A/S.

Related parties also include the Board of Directors and leading employees and their family members. Related parties also include companies in which the above persons have significant interests.

11 Shareholders

The Company has registered the following shareholder holding minimum 5% of the voting share capital or minimum 5% of the nominal share capital:

Maersk Drilling A/S
Lyngby Hovedgade 85
2800 Kgs. Lyngby

12 Consolidation

The consolidated financial statements of A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen can be obtained by contacting this company or at its website <http://www.maersk.dk>. The consolidated financial statements of A.P. Møller - Holding A/S can be obtained by contacting this company.

13 Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.