

Mærsk Innovator Norge A/S

Lyngby Hovedgade 85
2800 Kgs. Lyngby

CVR no. 27 23 40 54

Annual report 2019

The annual report was presented and approved at the
Company's annual general meeting on

17 June 2020

Klaus Greven Kristensen
chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Mærsk Innovator Norge A/S for the financial year 1 January – 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Lyngby, 17 June 2020

Executive Board:

Claus Bachmann
CEO

Board of Directors:

Morten Kelstrup
Chairman

Klaus Greven Kristensen

Jesper Ridder Olsen

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 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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 the Management's Review

Management is responsible for the Management's Review.

Our opinion on the financial statements does not cover the 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 the 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.

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.

Independent auditor's report

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 judgement and maintain professional scepticism 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.
- 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.

Independent auditor's report

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, 17 June 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Thomas Wraae Holm
State Authorised
Public Accountant
mne30141

Mærsk Innovator Norge A/S
Annual report 2019
CVR no. 27 23 40 54

Management's review

Company details

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

CVR no.:	27 23 40 54
Established:	27 June 2003
Registered office:	Lyngby
Financial year:	1 January – 31 December

Board of Directors

Morten Kelstrup, Chairman
Klaus Greven Kristensen
Jesper Ridder Olsen

Executive Board

Claus Bachmann, CEO

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's review

Operating review

Principal activities

Mærsk Innovator Norge A/S ("The Company") main activity is offshore drilling activity on the leased rig Maersk 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 financial position

Results for the year was USD 1,029 thousand (2018: USD 268 thousand), which is in line with Management's expectations. The drilling contract for Mærsk Innovator was concluded during 2019. Presently the Company has limited activities.

Outlook

As set out in the note disclosure around events after the balance sheet date, the oil price has dropped substantially subsequent to year-end which may lead the oil and gas companies to cancel or defer projects and exert pressure for lower rates, more contract flexibility and low cost solutions, which could negatively impact the Company's future profitability.

In addition, the Company's operations may be impacted by COVID-19 either directly or through the restrictions imposed by governments in response to COVID-19.

The Company is yet unable to estimate the potential impact of these factors and the Company's expectations towards 2020 are therefore subject to increase uncertainty.

Prior to the outbreak of COVID-19 and the increased oil price volatility, Management expected results for 2020 to be close to zero.

The results for 2020 are furthermore subject to risks and uncertainties, as various factors, many of which are beyond the Company's control, may cause the actual development and results to differ materially from expectations. The results for 2020 are primarily sensitive to the level of contracting of additional days to the current backlog and the day rates thereon.

Events after the balance sheet date

Subsequent to year-end, the oil price has dropped substantially to a level of around USD 25-40 per barrel. Combined with the implications of the global outbreak of COVID-19, the lower oil price environment will have negative implications for the Company's activities, as oil and gas companies have cancelled or deferred projects and exert pressure for lower rates, more contract flexibility and low cost solutions. This could negatively impact the Company's future profitability.

Financial statements 1 January – 31 December

Income statement

USD'000	Note	2019	2018
Gross profit		398	2,125
Operating profit		398	2,125
Financial income	2	1,154	128
Financial expenses	3	-16	-2,079
Profit before tax		1,536	174
Tax on profit for the year		-507	94
Profit for the year		1,029	268
Proposed profit appropriation			
Retained earnings		1,029	268
		1,029	268

Financial statements 1 January – 31 December

Balance sheet

USD'000	Note	31/12 2019	31/12 2018
ASSETS			
Current assets			
Receivables			
Trade receivables		552	0
Receivables from group entities		4,489	4,595
Other receivables		0	50
Deferred tax asset		33	114
		<u>5,074</u>	<u>4,759</u>
Total current assets		<u>5,074</u>	<u>4,759</u>
TOTAL ASSETS		<u>5,074</u>	<u>4,759</u>
EQUITY AND LIABILITIES			
Equity			
Contributed capital	4	91	91
Retained earnings		2,441	1,412
Proposed dividends for the financial year		0	1,500
Total equity		<u>2,532</u>	<u>3,003</u>
Provisions			
Other provisions		109	107
Total provisions		<u>109</u>	<u>107</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		481	1,430
Payables to group entities		1,480	100
Corporation tax		417	119
Other payables		55	0
		<u>2,433</u>	<u>1,649</u>
Total liabilities other than provisions		<u>2,433</u>	<u>1,649</u>
TOTAL EQUITY AND LIABILITIES		<u>5,074</u>	<u>4,759</u>

Financial statements 1 January – 31 December

Statement of changes in equity

USD'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	91	2,644	9,000	11,735
Ordinary dividends paid	0	0	-9,000	-9,000
Transferred over the profit appropriation	0	-1,232	1,500	268
Equity at 1 January 2019	91	1,412	1,500	3,003
Ordinary dividends paid	0	0	-1,500	-1,500
Transferred over the profit appropriation	0	1,029	0	1,029
Equity at 31 December 2019	91	2,441	0	2,532

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Mærsk Innovator Norge A/S for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

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 USD. At 31 December 2019, the exchange rate DKK/USD was 667.33 (2018: 652.13).

Income statement

Other external costs

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 profit for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity 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 for tax losses).

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Dividend

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

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

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.

Liabilities other than provisions

Financial liabilities are recognised at amortised cost, which essentially corresponds to the nominal value.

Financial statements 1 January – 31 December

Notes

USD'000	2019	2018
2 Financial income		
Interest income from group entities	46	128
Exchange gains from group entities	1,108	0
	<u>1,154</u>	<u>128</u>

3 Financial expenses

Other financial costs	1	3
Exchange losses from group entities	15	2,076
	<u>16</u>	<u>2,079</u>

4 Equity

The contributed capital consists of 500 shares of a nominal value of DKK 1,000 each.

All shares rank equally.

5 Contractual obligations, contingencies, etc.

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.

6 Related party disclosures

The A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til Almene Formaal, Copenhagen, Denmark is the ultimate owner.

Other related parties with a controlling interest:

- A.P. Møller Holding A/S, Esplanaden 50, DK-1263 Copenhagen K (ultimate parent company that prepares consolidated financial statements)
- AMPH Invest A/S, Esplanaden 50, DK-1263 Copenhagen K
- The Drilling Company of 1972 A/S, Lyngby Hovedgade 85, DK-2800 Kgs. Lyngby (first parent company that prepares consolidated financial statements)
- Maersk Drilling Holding A/S, Lyngby Hovedgade 85, DK-2800 Kgs. Lyngby
- Maersk Drilling A/S, Lyngby Hovedgade 85, DK-2800 Kgs. Lyngby (immediate parent company).

Financial statements 1 January – 31 December

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Other related parties

The Board of Directors and the Executive Management of the entities listed above having a controlling interest in Maersk Innovator Norge A/S including their close relatives and undertakings under their significant influence are also considered related parties. This includes subsidiaries and affiliates to A.P. Møller Holding A/S, including A.P. Møller - Mærsk A/S and its subsidiaries and affiliates and Danske Bank A/S.

Related party transactions

Transactions with related parties are carried out on an arm's length basis and are therefore not separately disclosed pursuant to section 98 C (7) of the Danish Financial Statements Act.

Consolidated financial statements

The consolidated financial statements of The Drilling Company of 1972 A/S, Lyngby Hovedgade 85, DK-2800 Kgs. Lyngby can be obtained by contacting this company or at investor.maerskdrilling.com/financial-reports-presentations.

The consolidated financial statements of A.P. Møller Holding A/S can be obtained by contacting this company or at its website www.apmoller.com.

7 Events after balance sheet date

Subsequent to year-end, the oil price has dropped substantially to a level of around USD 25-40 per barrel. Combined with the implications of the global outbreak of COVID-19, the lower oil price environment will have negative implications for the Company's activities, as oil and gas companies have cancelled or deferred projects and exert pressure for lower rates, more contract flexibility and low cost solutions. This could negatively impact the Company's future profitability.