

# Archer Offshore Denmark A/S

Esbjerg Brygge 28, 6700 Esbjerg

CVR no. 27 96 33 15

## Annual report 2018

Approved at the Company's annual general meeting on 29 May 2019

Chairman:



Espen Joranger





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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Archer Offshore Denmark A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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

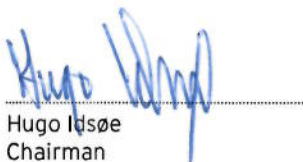
We recommend that the annual report be approved at the annual general meeting.

Esbjerg, 29 May 2019  
Executive Board:



Jone Kartevold

Board of Directors:



Hugo Ibsøe  
Chairman



Espen Joranger



Bjørn Bærheim

## Independent auditor's report

To the shareholder of Archer Offshore Denmark A/S

### Opinion

We have audited the financial statements of Archer Offshore Denmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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 rules and requirements.

### 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 as to 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 the 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.

### Independent auditor's report

- ▶ 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 note 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.

### 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 the Management's review and, in doing so, consider whether the 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.

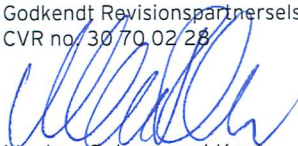
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Esbjerg, 29 May 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Morten Østergaard Koch

State Authorised Public Accountant

mne35420



## Management's review

### Company details

Name	Archer Offshore Denmark A/S
Address, Postal code, City	Esbjerg Brygge 28, 6700 Esbjerg
CVR no.	27 96 33 15
Established	7 September 2005
Registered office	Esbjerg
Financial year	1 January - 31 December
Board of Directors	Hugo Idsøe, Chairman Espen Joranger Bjørn Bærheim
Executive Board	Jone Kartevold
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33, 6700 Esbjerg, Denmark

## **Management's review**

### **Business review**

The Company's primary activity is to perform service tasks and trades within the oil industry and related activities, including wireline services to the oil and gas industry in the Danish offshore sector.

### **Financial review**

The income statement for 2018 shows a loss of DKK 634,088 against a profit of DKK 7,336,950 last year, and the balance sheet at 31 December 2018 shows equity of DKK 99,101. Management considers the Company's financial performance in the year unsatisfactory.

The Company has an equity of DKK 99,101 at 31 December 2018 and thus is subject to the regulations of the Danish Companies Act regarding capital loss. The Company expects to be able to re-establish the share capital through future earnings.

### **Events after the balance sheet date**

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK	2018	2017
	<b>Gross profit</b>	140,173	35,239,875
2	Staff costs	-474,966	-23,157,907
	Amortisation/depreciation and impairment of property, plant and equipment	0	-2,698,147
	<b>Profit/loss before net financials</b>	-334,793	9,383,821
3	Financial income	17,545	173,477
4	Financial expenses	-383,840	-109,684
	<b>Profit/loss before tax</b>	-701,088	9,447,614
5	Tax for the year	67,000	-2,110,664
	<b>Profit/loss for the year</b>	-634,088	7,336,950
	<b>Recommended appropriation of profit/loss</b>		
	Proposed dividend recognised under equity	0	14,000,000
	Extraordinary dividend distributed in the year	0	5,000,000
	Retained earnings/accumulated loss	-634,088	-11,663,050
		-634,088	7,336,950



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	<u>2018</u>	<u>2017</u>
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
	<b>Financial assets</b>		
	Other receivables	71,800	71,800
	Deferred tax assets	67,000	0
		<u>138,800</u>	<u>71,800</u>
	<b>Total non-current assets</b>	<u>138,800</u>	<u>71,800</u>
	<b>Current assets</b>		
	<b>Receivables</b>		
	Receivables from group entities	552,643	24,331,587
	Income taxes receivable	185,000	0
	Other receivables	13,264	21,187
		<u>750,907</u>	<u>24,352,774</u>
	<b>Total current assets</b>	<u>750,907</u>	<u>24,352,774</u>
	<b>TOTAL ASSETS</b>	<u><u>889,707</u></u>	<u><u>24,424,574</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	<u>2018</u>	<u>2017</u>
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
6	Share capital	500,000	500,000
	Retained earnings	-400,899	261,027
	Dividend proposed for the year	0	14,000,000
	<b>Total equity</b>	<u>99,101</u>	<u>14,761,027</u>
	<b>Current liabilities</b>		
	Trade payables	10,488	32,627
	Payables to group entities	625,888	7,694,447
	Income taxes payable	0	1,830,543
	Other payables	154,230	105,930
	<b>Total current liabilities</b>	<u>790,606</u>	<u>9,663,547</u>
	<b>Total liabilities</b>	<u>790,606</u>	<u>9,663,547</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>889,707</u></u>	<u><u>24,424,574</u></u>

- 1 Accounting policies
- 7 Contractual obligations and contingencies, etc.
- 8 Collateral
- 9 Related parties

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2018	500,000	261,027	14,000,000	14,761,027
Transfer through appropriation of loss	0	-634,088	0	-634,088
Adjustments to equity	0	-27,838	0	-27,838
Dividend distributed	0	0	-14,000,000	-14,000,000
<b>Equity at 31 December 2018</b>	<b>500,000</b>	<b>-400,899</b>	<b>0</b>	<b>99,101</b>

The Company has lost more than half of the share capital and is thus subject to the regulations of the Danish Companies Act regarding capital loss.

The Company expects to be able to re-establish the share capital through future earnings.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Archer Offshore Denmark A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

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

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

Net revenue, which includes maintenance tasks with a high degree of customization and sale of commodities to the offshore industry is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

##### Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sale' and 'Other external expenses' are consolidated into one item designated 'Gross profit'.

##### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of non-current assets.

##### Other external expenses

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, administration, premises, bad debts etc.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

The Archer group has a long term incentive program for some of its employees. This consist of issued stock options and restricted share units. The cost for the instruments are being calculated by a third party based on the Black-Scholes valuation model. The cost for the stock options and restricted share units is being pushed down to the affiliates as an equity injection from the mother company and recognized as payroll cost in the receiving company.

##### Depreciation

The item comprises depreciation of property, plant and equipment.

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, exchange gains and losses.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### Balance sheet

##### Impairment of non-current assets

Property, plant and equipment are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

##### Receivables

Receivables are measured at amortised cost.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

#### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

#### Equity

##### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

#### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Liabilities are measured at net realisable value.

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK	2018	2017
<b>2 Staff costs</b>		
Wages/salaries	469,075	21,495,627
Pensions	0	1,273,017
Other social security costs	5,891	389,263
	<u>474,966</u>	<u>23,157,907</u>
 Average number of full-time employees	 <u>1</u>	 <u>28</u>
 <b>3 Financial income</b>		
Interest receivable, group entities	17,545	11,765
Other financial income	0	161,712
	<u>17,545</u>	<u>173,477</u>
 <b>4 Financial expenses</b>		
Interest expenses, group entities	423	24,547
Other financial expenses	383,417	85,137
	<u>383,840</u>	<u>109,684</u>
 <b>5 Tax for the year</b>		
Estimated tax charge for the year	0	2,204,664
Deferred tax adjustments in the year	-67,000	-94,000
	<u>-67,000</u>	<u>2,110,664</u>
 <b>6 Share capital</b>		
Analysis of the share capital:		
500,000 shares of DKK 1.00 nominal value each	500,000	500,000
	<u>500,000</u>	<u>500,000</u>

The Company's share capital has remained DKK 500,000 over the past 5 years.

### 7 Contractual obligations and contingencies, etc.

#### Other financial obligations

Lease liabilities totaled DKK 18 thousand at the end of 2018 (2017: DKK 53 thousand), of which DKK 18 thousand is due for payment within one year.

The Company is included in the cash-pool scheme with other group companies, where the Company is jointly and severally liable with other group companies for claims from the bank, with the Company's receivables in the cash-pool scheme. At 31 December 2018 the Company has a balance of DKK -8 thousand.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.

#### 9 Related parties

##### Information about consolidated financial statements

Parent

Archer Norge AS

Domicile

Norway