

Mærsk Guardian Norge A/S

Esplanaden 50
1263 Copenhagen K
Company Reg. No. 29148724

Annual Report 2016

(Financial year No. 11)

As adopted by the Company at the Annual General Meeting
15 June 2017

A handwritten signature in blue ink, appearing to read 'Klaus Greven Kristensen', written over a horizontal dashed line.

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 2016 of Mærsk Guardian Norge A/S.

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

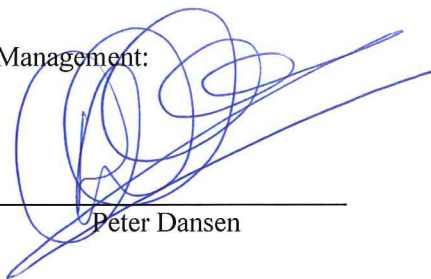
In our opinion, the Financial Statements provide a true and fair view of the Company's assets, liabilities, and financial position 31 December 2016 and of the results of the Company's operations for the financial year 2016.

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.

Copenhagen, 15 June 2017

Management:



Peter Dansen

Board of Directors:



Angela Durkin
(Chairman)



Marianne Sørensen Henriksen



Klaus Greven Kristensen

Independent Auditor's Report

To the shareholder of Mærsk Guardian 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 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Mærsk Guardian Norge A/S for the financial year 1 January - 31 December 2016, 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.

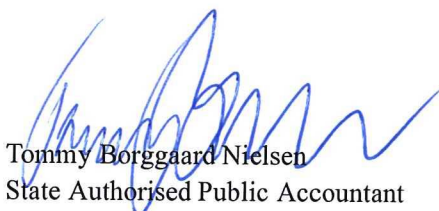
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 15 June 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33771231



Jesper Hansen
State Authorised Public Accountant



Tommy Borggaard Nielsen
State Authorised Public Accountant

Management's Review

Company details

Mærsk Guardian Norge A/S
Esplanaden 50
1263 Copenhagen K

Company Reg. No.:	29148724
Date of incorporation:	20 October 2005
Registered office:	Copenhagen
Financial year:	1 January 2016 - 31 December 2016

Board of Directors

Angela Durkin (Chairman)
Marianne Sørensen Henriksen
Klaus Greven Kristensen

Management

Peter Dansen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Annual General Meeting

Annual General Meeting will be held 15 June 2017.

Management's Review

Financial Highlights and Key Figures

USD ('000)	2016	2015	2014	2013	2012
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Financial Highlights

Revenue	0	76,474	107,130	115,513	112,876
Result before financial items	2,934	(213)	7,601	1,511	4,283
Financial items, net	140	(197)	(597)	(762)	582
Result before tax	3,074	(410)	7,004	749	4,865
Result for the year	402	(364)	5,113	332	3,503

Total assets	5,137	12,218	30,234	25,409	27,703
Total equity (incl. proposed dividend)	3,284	10,882	11,246	6,133	13,801

Key Figures

Operating margin	0.0%	(0.3)%	7.1%	1.3%	3.8%
Return on invested capital	38.8%	(1.7)%	77.0%	14.3%	33.4%
Liquidity ratio	277.2%	3,157.1%	175.9%	141.1%	211.4%
Equity ratio	63.9%	89.1%	37.2%	24.1%	49.8%
Return on equity	5.7%	(3.3)%	58.8%	3.3%	50.8%

Management's Review

The Company's main activities

In Q3 2015 the company ended its drilling activities on the leased rig Mærsk Guardian and following that the company has been dormant.

The Company's main activity continues to be offshore drilling activity. The Company has been 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 402k (2015: USD (364)k) which is in line with managements expectations. For 2017 management expects a result in line with 2016.

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.

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 2016 at <http://www.maerskdrilling.com/>, in which we provide a complete overview of Maersk Drilling's work with sustainability and our sustainability performance.

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.

With regard to Mærsk Guardian Norge A/S' employees formally employed with Rederiet A.P. Møller A/S, it has been decided to adhere 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 (Link to policy: <http://mrsk.co/174tNiF>). In accordance with this policy, Mærsk Guardian 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. For activities and results obtained in the financial year 1 January - 31 December 2016, refer to <http://mrsk.co/174tNiF>.

Financial Statements 1 January - 31 December

Accounting policies

The Financial Statements of Mærsk Guardian Norge A/S for 2016 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to mid-size 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 not changed but note disclosure are adjusted due to changing accounting class to mid-size C-companies.

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 income

Other income comprise reversals and income relating to bare boat hire of the rigs, repair and maintenance, catering, hired crew and administrative costs.

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.

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 2016 the exchange rate DKK/USD was 705.50 (2015: 683.00).

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	$\frac{\text{Ordinary profit/loss after tax} \times 100}{\text{Average equity}}$

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	2016 USD ('000)	2015 USD ('000)
1		
Revenue	0	76,474
Other income	2,957	0
Other external costs	(23)	(76,687)
	2,934	(213)
Result before financial items		
2		
Financial income	347	671
3		
Financial expenses	(207)	(868)
	3,074	(410)
Result before tax		
4		
Tax on result for the year	(2,672)	46
	402	(364)
Result for the year		

Appropriation

Proposed dividend	2,000	8,000
Retained earnings	(1,598)	(8,364)
	402	(364)

Financial Statements 1 January - 31 December

Balance sheet

Note	ASSETS	2016	2015
		USD ('000)	USD ('000)
	Current assets		
	Receivables		
	Trade receivables	12	0
	Current tax receivables	0	600
	Receivables from group enterprises	5,125	11,618
	Total current assets	5,137	12,218
	TOTAL ASSETS	5,137	12,218

Financial Statements 1 January - 31 December

Balance sheet

Note	EQUITY AND LIABILITIES	2016 USD ('000)	2015 USD ('000)
	Equity		
	Share capital	79	79
	Retained earnings	1,205	2,803
	Proposed dividend	2,000	8,000
	Total equity	3,284	10,882
	Provisions		
5	Other provisions	0	949
		0	949
	Short-term liabilities		
	Trade payables	0	109
	Payables to group enterprises	0	278
	Current tax payables	1,723	0
	Other payables	130	0
		1,853	387
	Total liabilities	1,853	1,336
	TOTAL EQUITY AND LIABILITIES	5,137	12,218
6	Commitments and contingent liabilities, etc.		
7	Employee remuneration		
8	Related parties		
9	Shareholders		
10	Consolidation		
11	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 2015	79	11,167	0	11,246
Result for the year	0	(8,364)	8,000	(364)
Equity 1 January 2016	79	2,803	8,000	10,882
Dividend to shareholder	0	0	(8,000)	(8,000)
Result for the year	0	(1,598)	2,000	402
Equity 31 December 2016	79	1,205	2,000	3,284

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

	2016	2015
	<u>USD ('000)</u>	<u>USD ('000)</u>
1 Revenue		
Revenue, Norway	0	76,474
	0	76,474
2 Financial income		
Interest income from group enterprises	32	44
Exchange gain from group enterprises	315	627
	347	671
3 Financial expenses		
Interest expenses to group enterprises	(133)	(11)
Exchange loss to group enterprises	(74)	(857)
	(207)	(868)
4 Tax on the result of the year		
Tax for the year	(338)	111
Adjustments to prior years tax for the year	(2,334)	(65)
	(2,672)	46

Financial Statements 1 January - 31 December

Notes

5 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.

6 Commitments and contingent liabilities, 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.

7 Employee remuneration

Mærsk Guardian Norge A/S has not had employees in 2016 and 2015. Personnel are hired from affiliates in the A.P. Møller - Mærsk Group. The Board of Directors has not been remunerated.

8 Related parties

The following related parties have a controlling interest in Mærsk Guardian 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, Esplanaden 50, 1098 Copenhagen K. The parent company

Other related parties

Subsidiaries and affiliates to A.P. Møller - Mærsk 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.

Financial Statements 1 January - 31 December

Notes

9 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
Esplanaden 50
1098 Copenhagen K

10 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.

11 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.