

Maersk Integrator Norge A/S

Lyngby Hovedgade 85
2800 Kgs. Lyngby

CVR no. 34 48 59 09

Annual report 2018

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

6 June 2019

Klaus Greven Kristensen
chairman

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Maersk Integrator Norge A/S
Annual report 2018
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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 Maersk Integrator Norge A/S for the financial year 1 January – 31 December 2018.

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 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 development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Lyngby, 6 June 2019
Executive Board:

Per Gøbel
CEO

Board of Directors:

Angela Durkin
Chairman

Klaus Greven Kristensen

Jesper Ridder Olsen

Independent auditor's report

To the shareholders of Maersk Integrator Norge A/S

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position 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.

We have audited the financial statements of Maersk Integrator Norge A/S for the financial year 1 January – 31 December 2018 comprising 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.

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 rules and 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibility 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 that 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 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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.

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.

Independent auditor's report

Copenhagen, 6 June 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Thomas Wraae Holm
State Authorised
Public Accountant
mne30141

Kim Danstrup
State Authorised
Public Accountant
mne32201

Maersk Integrator Norge A/S
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Management's review

Company details

Maersk Integrator Norge A/S
Lyngby Hovedgade 85
2800 Kgs. Lyngby

CVR no.:	34 48 59 09
Established:	30 April 2012
Registered office:	Lyngby
Financial year:	1 January – 31 December

Board of Directors

Angela Durkin, Chairman
Klaus Greven Kristensen
Jesper Ridder Olsen

Executive Board

Per Gøbel, CEO

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's review

Financial highlights

USD'000	2018	2017	2016	2015	2014
Key figures					
Revenue	147,169	152,917	149,341	84,952	87
Operating profit/loss	-4,815	3,035	435	31,163	-7,237
Profit/loss from financial income and expenses	-1,514	1,914	139	-940	267
Profit/loss before tax	-6,518	4,974	574	30,223	-6,970
Profit/loss for the year	-4,930	3,195	1,722	22,061	-5,088
Total assets	36,702	51,487	47,024	50,121	4,640
Equity	3,204	20,134	17,491	15,769	-6,292
Ratios					
Operating margin	-3%	2%	1%	37%	-8,318%
Return on invested capital	-33%	13%	4%	349%	193%
Current ratio	111%	170%	148%	125%	29%
Return on equity	-42%	18%	10%	466%	136%
Solvency ratio	9%	39%	37%	32%	-136%

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Operating review

Principal activities

The Company's main activity is offshore drilling activity on the leased rig Maersk Integrator. 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 negative USD 4,930 thousand (2017: negative USD 3,195 thousand), which is lower than Management expectations. For 2019, Management expects results to be higher than 2018.

Correction of material misstatement

Maersk Integrator Norge A/S has in the annual report for 2018 made certain corrections of accruals relating to prior years, due to this 2017 key figures have been restated.

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

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 2018 at <http://maersk-drilling-cms.prod.umw.dk/media/1728/md-sustainabilityreport-2018.pdf>, 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 2019. 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 priorities for Maersk Drilling. We want to move beyond compliance with local content requirements and to increase shared value by proactively engaging with stakeholders.

Management's review

Operating review

Environmental matters

Discharges, air emissions, and how we manage chemicals and waste are our primary focus areas when it comes to minimizing 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 underrepresented gender.

Maersk Integrator Norge A/S adheres to the Policy on Diversity and Inclusion in Maersk Drilling which was adopted at the board meeting of The Drilling Company of 1972 A/S on 2 April 2019. Our industry is statistically dominated by males, especially among our offshore employees. However, Maersk Drilling works actively, to increase the level of women in managerial positions. When assessing employees for promotion, we take into account that the population is diverse in terms of gender.

Financial statements 1 January – 31 December

Income statement

USD'000	Note	2018	2017
Revenue	2	147,169	152,917
Other external costs		<u>-151,984</u>	<u>-149,882</u>
Operating profit/loss		-4,815	3,035
Financial income	3	149	1,926
Financial expenses	4	<u>-1,663</u>	<u>-12</u>
Profit/loss before tax		-6,329	4,949
Tax on profit/loss for the year	5	<u>1,399</u>	<u>-1,754</u>
Profit/loss for the year	6	<u><u>-4,930</u></u>	<u><u>3,195</u></u>

Financial statements 1 January – 31 December

Balance sheet

USD'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Non-current assets			
Prepayments	7	<u>0</u>	<u>2,158</u>
Total fixed assets		<u>0</u>	<u>2,158</u>
Current assets			
Receivables			
Trade receivables		27,079	25,979
Receivables from group entities		6,901	17,538
Other receivables		0	283
Corporation tax		261	0
Prepayments	7	<u>2,461</u>	<u>5,529</u>
		<u>36,702</u>	<u>49,329</u>
Total current assets		<u>36,702</u>	<u>49,329</u>
TOTAL ASSETS		<u><u>36,702</u></u>	<u><u>51,487</u></u>

Financial statements 1 January – 31 December

Balance sheet

USD'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	8	89	89
Retained earnings		3,115	8,045
Proposed dividends for the financial year		<u>0</u>	<u>12,000</u>
Total equity		<u>3,204</u>	<u>20,134</u>
Provisions			
Provisions for deferred tax	9	428	1,518
Other provisions	10	<u>111</u>	<u>179</u>
Total provisions		<u>539</u>	<u>1,697</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		4,449	5,398
Payables to group entities		27,706	19,640
Corporation tax		0	2,257
Other payables		507	1,348
Deferred income	11	<u>297</u>	<u>1,013</u>
		<u>32,959</u>	<u>29,656</u>
Total liabilities other than provisions		<u>32,959</u>	<u>29,656</u>
TOTAL EQUITY AND LIABILITIES		<u>36,702</u>	<u>51,487</u>
Contractual obligations, contingencies, etc.	12		
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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 31 December 2016	89	17,402	0	17,491
Adjustment due to correction of material misstatement	0	-552	0	-552
Equity at 1 January 2017	89	16,850	0	16,939
Transferred over the profit appropriation	<u>0</u>	<u>-8,805</u>	<u>12,000</u>	<u>3,195</u>
Equity at 1 January 2018	89	8,045	12,000	20,134
Ordinary dividends paid	0	0	-12,000	-12,000
Transferred over the distribution of loss	<u>0</u>	<u>-4,930</u>	<u>0</u>	<u>-4,930</u>
Equity at 31 December 2018	<u><u>89</u></u>	<u><u>3,115</u></u>	<u><u>0</u></u>	<u><u>3,204</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Maersk Integrator Norge A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

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

Pursuant to section 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 Maersk Drilling Holding A/S.

Correction of material misstatement

Maersk Integrator Norge A/S has in the annual report for 2018 made certain corrections of accruals relating to 2017 and prior years. The corrections resulted in an decrease of USD 552 thousand in retained earnings as of 1 January 2017 and a related increase of USD 552 thousand in trade payables. Other external costs for 2017 was reduced by USD 83 thousand and a related increase of USD 83 thousand in trade payables. The tax effect of these adjustments are negative USD 190 thousand.

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 2018, the exchange rate DKK/USD was 652.13 (2017: 620.77).

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Revenue

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

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/loss 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).

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. Write-down for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise prepayment of costs incurred, concerning rent, insurance premiums, subscriptions and interest as well as the deferral of mobilisation costs and other start-up costs relating to subsequent financial years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Financial statements 1 January – 31 December

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USD'000	<u>2018</u>	<u>2017</u>
2 Revenue		
Revenue, Norway	<u>147,169</u>	<u>152,917</u>
3 Financial income		
Interest income from group entities	148	126
Other financial income	1	0
Exchange gains from group entities	<u>0</u>	<u>1,800</u>
	<u>149</u>	<u>1,926</u>
4 Financial expenses		
Other financial costs	6	12
Exchange losses to group entities	<u>1,657</u>	<u>0</u>
	<u>1,663</u>	<u>12</u>
5 Tax on profit/loss for the year		
Current tax for the year	-107	3,155
Deferred tax for the year	-1,027	-1,071
Change in deferred tax due to change in tax rate	-63	-331
Adjustment of current tax concerning previous years	<u>-202</u>	<u>1</u>
	<u>-1,399</u>	<u>1,754</u>
6 Profit appropriation		
Proposed dividends for the financial year	0	12,000
Retained earnings	<u>-4,930</u>	<u>-8,805</u>
	<u>-4,930</u>	<u>3,195</u>
7 Prepayments		
Non-current assets, prepayments USD 0 (2017: USD 2,158 thousand), and current assets, prepayments USD 2,461 thousand (2017: USD 5,529 thousand) include the deferral of mobilisation costs and other start-up cost related to the present contract. The cost will be recognised over the contract period ending in Q2 2019.		
8 Equity		
The contributed capital consists of 500 shares of a nominal value of DKK 1,000 each.		
All shares rank equally.		

Financial statements 1 January – 31 December

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9 Deferred tax

Deferred tax relates to deferred tax on prepayments, deferred income and other provisions.

USD'000	31/12 2018	31/12 2017
Deferred tax at 1 January	1,518	2,920
Deferred tax adjustment for the year in the income statement	-1,027	-1,071
Change in deferred tax due to change in tax rate	<u>-63</u>	<u>-331</u>
	<u>428</u>	<u>1,518</u>

10 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.

11 Deferred income

Deferred income USD 297 thousand (2017: USD 1,013 thousand) comprises payments received from customers for revenue relating to future financial years.

12 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.

Operating lease obligations

The Company has entered into operating lease contracts which amount to USD 42 million in 2019. The lease contracts expire after 5 months and include total nominal rest lease payments of USD 42 million.

13 Pledges and guarantees

Jointly with other Maersk Drilling entities, the Company has guaranteed a total of USD 1,550 million related to a Term and Revolving Facilities Agreement held by another Maersk Drilling Group entity. As at 31 December 2018, USD 400 million of the facility was undrawn.

14 Employee remuneration

Maersk Integrator Norge A/S has not had employees in 2018 and 2017. 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

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15 Related party disclosures

The following related parties have a controlling interest in Maersk Integrator 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 a controlling interest:

- ◆ A.P. Møller Holding A/S, Esplanaden 50, 1263 Copenhagen K (ultimate parent company that prepares consolidated financial statements)
- ◆ A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K
- ◆ Maersk Drilling Holding A/S, Lyngby Hovedgade 85, 2800 Kgs. Lyngby (first parent company that prepares consolidated financial statements)
- ◆ Maersk Drilling A/S, Lyngby Hovedgade 85, 2800 Kgs. Lyngby (immediate parent company)

Other related parties

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

16 Shareholders

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

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

17 Consolidation

The consolidated financial statements of Maersk Drilling Holding A/S, Lyngby Hovedgade 85, 2800 Kgs. Lyngby can be obtained by contacting this company or at its website <https://www.maerskdrilling.com/financials>. The consolidated financial statements of A.P. Møller - Holding A/S can be obtained by contacting this company.

18 Events after balance sheet date

In April 2019, the Maersk Drilling Holding A/S and its subsidiaries were separated from the A.P. Møller - Maersk Group via a demerger of A.P. Møller – Mærsk A/S and a separate listing on Nasdaq Copenhagen. As a consequence, A.P. Møller - Mærsk A/S no longer exercises control but is still considered a related party as under the common control of A.P. Møller Holding A/S. No other events have occurred after the balance sheet date to this date which would influence the evaluation of the annual report.