

Maersk Drilling DS A/S

**Lyngby Hovedgade 85
2800 Kgs. Lyngby**

Company Reg. No. 34720827

Annual Report 2018

01 January 2018 - 31 December 2018
(Financial year No. 6)

As adopted by the Company at the Annual General Meeting

6 June 2019



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 Maersk Drilling DS A/S A/S for the period 01 January 2018 – 31 December 2018

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 at 31 December 2018 and of the results of the Company operations for the period of 01 January 2018 to 31 December 2018.

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

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

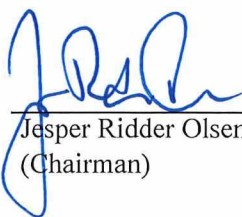
Lyngby, 6 June 2019

Management:



Angela Durkin

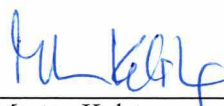
Board of Directors:



Jesper Ridder Olsen
(Chairman)



Klaus Greven Kristensen



Morten Kelstrup

Independent Auditors' Report

To the shareholders of Maersk Drilling DS 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 2018, and of the results of the Company's operations for the financial period 01 January 2018 - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Maersk Drilling DS A/S for the financial period 01 January 2018 - 31 December 2018 which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis of 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 rules and 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 of Management 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 Auditors' Report (Continued)

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 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.

Independent Auditors' Report (Continued)

- 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 in the notes, 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, 6 June 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33771231



Thomas Wraae Hølm
State Authorised Public Accountant
mne30141



Kim Danstrup
State Authorised Public Accountant
mne32201

Management's Review

Company details

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

Company Reg. No.: 34720827
Date of incorporation: 12 October 2012
Registered office: Lyngby
Financial period: 01 January 2018 - 31 December 2018

Board of Directors

Jesper Ridder Olsen (Chairman)
Klaus Greven Kristensen
Morten Kelstrup

Management

Angela Durkin

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Annual General Meeting

General Meeting will be held 6 June 2019.

Management's Review (Continued)

Management's Review

The Company's main activities

The Company's main activity is to provide loans and other related financial services.

Development in activities and finances

The result for the year amounts to USD 3,866k (2017: 2,134k) which is in line with management's expectations. For 2019 management expects a result in line with 2018.

Accounting Policies

The Financial Statements of Maersk Drilling DS A/S for 2018 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

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.

Income statement

Other external cost

Other external costs comprise expenses incurred during the year for 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).

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

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.

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

Income Statement

Financial Statements 01 January 2018 - 31 December 2018

Note		2018	2017
		USD(000)	USD(000)
1	Financial income	5,004	2,754
	Result before tax	5,004	2,754
2	Tax on result for the year	(1,138)	(620)
	Result for the year	3,866	2,134

Balance Sheet

Financial Statements 01 January 2018 - 31 December 2018

Note	Assets	2018 USD(000)	2017 USD(000)
	Current assets		
	Receivables		
	Receivables from group enterprises	270,026	265,022
		<u>270,026</u>	<u>265,022</u>
	Total current assets	<u>270,026</u>	<u>265,022</u>
	TOTAL ASSETS	<u>270,026</u>	<u>265,022</u>
	Equity and Liabilities	2018 USD(000)	2017 USD(000)
	Equity		
	Share capital	260,834	260,834
	Retained earnings	7,444	3,578
	Total equity	<u>268,278</u>	<u>264,412</u>
	Short-term liabilities		
	Trade payables	4	4
	Current tax payables	1,744	606
	Total liabilities	<u>1,748</u>	<u>610</u>
	TOTAL EQUITY AND LIABILITIES	<u>270,026</u>	<u>265,022</u>
3	Appropriation		
4	Commitments and contingent liabilities, etc.		
5	Employee remuneration		
6	Related parties		
7	Consolidation		
8	Events after the balance sheet date		

Equity Statement

Financial Statements 01 January 2018 - 31 December 2018

USD(000)	Share- capital	Retained earnings	Proposed dividend	Total
Equity 01 January 2017	260,834	1,444	—	262,278
Dividend to shareholder	—	—	—	—
Result for the year	—	2,134	—	2,134
Equity 01 January 2018	260,834	3,578	—	264,412
Result of the year	—	3,866	—	3,866
Equity, 31 December 2018	260,834	7,444	—	268,278

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

Notes

1. Financial income

	2018 USD(000)	2017 USD(000)
Interest income from group enterprises	5,004	2,753
Exchange gain to group enterprises	-	1
	<u>5,004</u>	<u>2,754</u>

2. Tax on the result of the year

	2018 USD(000)	2017 USD(000)
Tax for the year	(1,101)	(605)
Adjustments to prior years tax for the year	(37)	(15)
	<u>(1,138)</u>	<u>(620)</u>

3. Appropriation

	2018 USD(000)	2017 USD(000)
Retained earnings	3,866	2,134
	<u>3,866</u>	<u>2,134</u>

4. 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.

Warranty obligations

The company has issued a performance guarantee that covers work performed by other Maersk Drilling Group companies towards their end customers based on their contractual terms.

5. Employee remuneration

Mærsk Drilling DS A/S has not had employees in 2018 and 2017. Personnel is hired from affiliates in the Maersk Drilling Holding Group. The Board of Directors has not been remunerated.

6. Related parties

The following related parties have a controlling interest in Maersk Drilling DS A/S:

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

Notes

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 Drilling DS 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.

7. 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 www.maerskdrilling.com/financials. The consolidated financial statements of A.P. Møller Holding A/S can be obtained by contacting this company.

Shareholders

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

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

8. Events after the balance sheet

On 4 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 is no longer having a controlling interest 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 this report.