

Maersk Drilling Holding A/S

Esplanaden 50

DK-1263 Copenhagen K

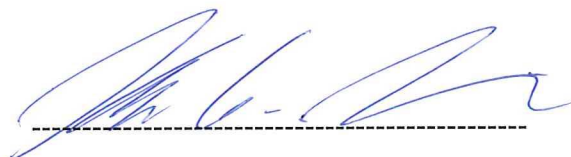
Company Reg. No. 34731721

Annual Report 2016

(Financial year No. 5)

As adopted by the Company at the Annual General Meeting

22 May 2017



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 Maersk Drilling Holding A/S.

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

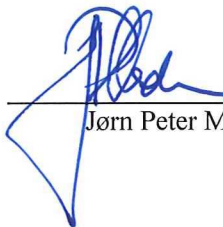
In our opinion, the Financial Statements provide a true and fair view of the Company's assets, liabilities, and financial position 31 December 2016 and of the results of the Company's operations for the financial year 2016.

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.

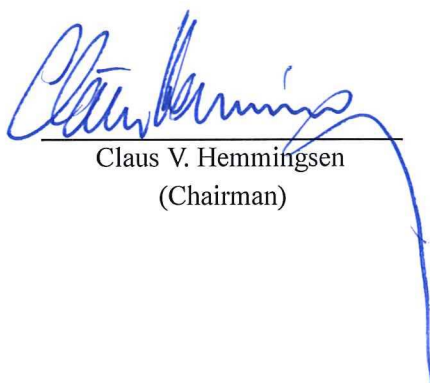
Copenhagen, 19 May 2017

Management:




Jørn Peter Madsen

Board of Directors:



Claus V. Hemmingsen
(Chairman)



Graham Stuart Talbot



Christian Kledal

Independent Auditor's Report

To the shareholder of Maersk Drilling Holding 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 Maersk Drilling Holding 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, 19 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33771231



Gert Fisker Tomczyk
State Authorised Public Accountant



Jesper Hansen
State Authorised Public Accountant

Management's Review

Company details

Maersk Drilling Holding A/S
Esplanaden 50
DK-1263 Copenhagen K

Company Reg. No.:	34731721
Date of incorporation:	1 November 2012
Registered office:	Copenhagen
Financial year:	1 January 2016 - 31 December 2016

Board of Directors

Claus V. Hemmingsen (Chairman)
Graham Stuart Talbot
Christian Kledal

Management

Jørn Peter Madsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

The Company's main activities

The Company and its subsidiaries is a leading global operator of high-technology drilling rigs, and provides offshore drilling services to oil and gas companies with one of the world's youngest and most advanced fleets.

Certain parts of the drilling activity still remains with A.P. Møller – Mærsk A/S. For a full overview of the Maersk Drilling business unit, we refer to the presentation of Maersk Drilling included in the consolidated Financial Statements of A.P. Møller – Mærsk A/S.

Market risks

The main risks to the Group's performance and strategy execution relate to future employment of rigs and operational performance. The challenging market conditions has resulted in reduced exploration and production budgets and postponement of several drilling programmes, creating a downturn across the offshore market. Maersk Drilling remain positive on the long term, but expect on the short to medium term to face significant headwind with lower day rates and coverage.

Impairment indicators in Maersk Drilling are lower day rates on new contracts and a decline in fair values of rigs and drillships, which in many cases have dropped below carrying amount. The fair value estimates are highly uncertain due to the character of the assets and few transactions. The value in use calculations for the individual cash generating units are sensitive to the day rates expected to apply when contracts expire and to the risks of idle periods in the forecasts. In addition, the discount rate, growth rate and EBITDA margin in the terminal period are critical variables. The day rates in the short to medium term are significantly lower than the rates at which the Group has prior contracted. In line with analysts in the market, management expects a gradual move towards more economically sustainable rates in the long-term.

Development in activities and finances

The result for the year amounts to USD (950)m (2015: USD 391m). The result before impairments amounts to USD 525m (2015: USD 503m), which is higher than management expectations. The result of subsidiaries is positively impacted by termination fees of approximately USD 150m, high operational uptime and effective cost management for rigs in operations and negatively impacted by post-tax impairments of USD 1,475m. Compared to the Maersk Drilling business unit included in the consolidated financial statements of the A.P. Møller - Maersk Group, the post-tax impairment is higher by USD 38m due to certain parts of the drilling activities still remains with A.P. Møller - Mærsk A/S. In 2017 we expect a significant lower result than in 2016 adjusted for the negative impact from impairment losses.

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act

The Board believes that its members should be elected on the basis of their combined qualifications and at the same time recognises the advantages of a board comprising a wide range of backgrounds such as global experience, style, culture and gender.

On the basis of this ambition, the Board has defined a target to increase the share of the under-represented gender on the Board to account for at least 33% of the shareholder-appointed Board members.

As of 31 December 2016 there are no women on the Board, however, it remains the ambition to reach the target of 33% female representation on the Board by 2019. The shareholders did not consider it necessary to replace the members of the Board in the financial year 1 January - 31 December 2016.

With regard to Maersk Drilling Holding 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, Maersk Drilling Holding 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 Maersk Drilling Holding A/S for 2016 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

In accordance with Section 112 of the Danish Financial Statements Act, the Company does not prepare a consolidated report as the Company and its subsidiaries are included in the consolidated report of A.P. Møller - Mærsk A/S.

Change in accounting policies for investments in subsidiaries

The Company has changed accounting policies for recognition of investments in subsidiaries. In prior years, cash-generating units were restricted by the individual legal entities. From 2016 Maersk Drilling Holding A/S considers rigs with similar functionality and operating environment as cash-generating units due to largely interdependent cash flows. The changed principle better reflects the management of the underlying business. This change has led to a decrease in the result of USD 227m (2015: increase of 273m). It has a positive impact on investments in subsidiaries and on the equity with USD 46m (2015: positive impact of 273m). The Company's cash flows are not influenced by the change in accounting policies.

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

Other external cost

Other external costs comprise expenses incurred during the year for bare boat hire of the rigs, repair and maintenance, catering, hired crew and administrative costs.

Income from investments in subsidiaries

“Income from investments in subsidiaries” include share of the profit for the year including goodwill amortisation for subsidiaries accounted for under the equity method and gain on sale of subsidiaries.

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

Investments in subsidiaries

Investments in subsidiaries are recognised in the balance sheet at equity value in accordance with the Parent's accounting policies plus value of goodwill calculated according to the purchase method.

The total net revaluation of investments in subsidiaries is transferred to "Reserve for net revaluation according to equity method" under equity. Reserve is reduced by dividend payments to the parent company and with certain other changes in equity in subsidiaries.

Impairment of non-current assets

The carrying amount of investments in subsidiaries are reviewed to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If the recoverable amount is lower than the carrying amount, the asset is written down to its lower recoverable amount.

Financial Statements 1 January - 31 December

Accounting policies

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.

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

Financial Statements 1 January - 31 December

Income statement

Note	2016 USD ('000)	2015 USD ('000)
Other external costs	(3)	(7)
Gross result	(3)	(7)
4 Income from investments in subsidiaries	(954,906)	389,725
Result before financial items	(954,909)	389,718
1 Financial income	5,774	1,453
2 Financial expenses	(1)	(1)
Result before tax	(949,136)	391,170
3 Tax on result for the year	(1,259)	(288)
Result for the year	(950,395)	390,882

Appropriation

Proposed dividend	500,000	0
Retained earnings	(567,321)	1,157
Reserve for net revaluation according to equity method	(883,074)	389,725
	(950,395)	390,882

Financial Statements 1 January - 31 December

Balance sheet

Note	ASSETS	2016 USD ('000)	2015 USD ('000)
	Non-current assets		
4	Financial non-current assets		
	Investments in subsidiaries	6,326,833	6,051,508
	Total non-current assets	6,326,833	6,051,508
	Current assets		
	Receivables		
	Receivables from group enterprises	1,509,585	1,504,377
	Total current assets	1,509,585	1,504,377
	TOTAL ASSETS	7,836,418	7,555,885

Financial Statements 1 January - 31 December

Balance sheet

Note	EQUITY AND LIABILITIES	2016 USD ('000)	2015 USD ('000)
	Equity		
	Share capital	86,752	86,752
	Reserve for net revaluation according to equity method	0	883,074
	Retained earnings	7,248,391	6,585,481
	Proposed dividend	500,000	0
	Total equity	7,835,143	7,555,307
	Short-term liabilities		
	Trade payables	4	4
	Payables to group enterprises	2	235
	Current tax payables	1,269	339
	Total short-term liabilities	1,275	578
	Total liabilities	1,275	578
	TOTAL EQUITY AND LIABILITIES	7,836,418	7,555,885
5	Commitments and contingent liabilities, etc.		
6	Employee remuneration		
7	Related parties		
8	Shareholders		
9	Consolidation		
10	Events after the balance sheet date		

Financial Statements 1 January - 31 December

Equity statement

USD ('000)	Share- capital	Reserve for net revaluation according to equity method	Retained earnings	Proposed dividend	Total
Equity 1 January 2015	86,752	490,704	4,244,324	0	4,821,780
Contribution	0	0	2,340,000	0	2,340,000
Other equity movements	0	2,645	0	0	2,645
Result for the year	0	117,225	1,157	0	118,382
Equity 1 January 2016 before change in accounting policies	86,752	610,574	6,585,481	0	7,282,807
Change in accounting policies	0	272,500	0	0	272,500
Equity 1 January 2016 after change in accounting policies	86,752	883,074	6,585,481	0	7,555,307
Contribution	0	0	1,230,000	0	1,230,000
Other equity movements	0	0	231	0	231
Result for the year	0	(883,074)	(567,321)	500,000	(950,395)
Equity 31 December 2016	86,752	0	7,248,391	500,000	7,835,143

The share capital comprises 500,000 shares of DKK 1,000. No shares hold special rights.

1 November 2012 the share capital was established with paid in capital of USD 87k, 18 November 2012 it was changed with a capital increase of USD 48,937k and 1 January 2013 it was changed with a capital increase, contribution in kind of USD 37,728k.

Financial Statements 1 January - 31 December

Notes

	2016	2015
	USD ('000)	USD ('000)
1 Financial income		
Interest income from group enterprises	5,774	1,453
	5,774	1,453
2 Financial expenses		
Exchange gain to group enterprises	(1)	(1)
	(1)	(1)
3 Tax on the result of the year		
Tax for the year	(1,269)	(339)
Adjustments to prior years tax for the year	10	52
	(1,259)	(288)
4 Financial non-current assets		
USD ('000)	Investments in subsidiaries	
Cost price 1 January 2016		5,168,434
Contribution		1,230,000
Cost price 31 December 2016		6,398,434
Net revaluation 1 January 2016 before change in accounting policies		610,574
Result for the year, change in accounting policies		272,500
Net revaluation 1 January 2016 after change in accounting policies		883,074
Net share of result for the year		(954,906)
Other adjustments		231
Net revaluation 31 December 2016		(71,601)
Carrying amount 31 December 2016		6,326,833

Net share of result for the year includes post-tax impairment losses of USD 1,475m (2015: USD 113m)

Financial Statements 1 January - 31 December

Notes

Company and domicile	Owned share
Maersk Drilling A/S, Denmark (owned directly)	100%
Maersk Drilling Americas A/S, Denmark	100%
Maersk Drilling Australia Pty Ltd., Australia	100%
Maersk Drilling Deepwater A/S, Denmark	100%
Maersk Drilling DS A/S, Denmark	100%
Maersk Drilling (Malaysia) DSN. BHD., Malaysia	100%
Maersk Drilling Holdings Singapore Pte Ltd., Singapore	100%
Maersk Drillship III Singapore Pte Ltd.	100%
Maersk Drillship IV Singapore Pte Ltd.	100%
Maersk Drilling International A/S, Denmark	100%
Maersk Drilling Services A/S, Denmark	100%
Maersk Drilling Services LLC, Azerbaijan	100%
Maersk Intrepid Norge A/S, Denmark	100%
Maersk Norge AS, Norway	100%
Maersk Offshore Crew Management (Guernsey) Ltd., Guernsey	100%
Maersk Reacher Norge A/S, Denmark	100%
Maersk Volve A/S, Denmark	100%
Maersk Interceptor Norge A/S, Denmark	100%
Maersk Integrator Norge A/S, Denmark	100%
Maersk Invincible Norge A/S, Denmark	100%
Mærsk Gallant Norge A/S, Denmark	100%
Mærsk Giant Norge A/S, Denmark	100%
Mærsk Guardian Norge A/S, Denmark	100%
Mærsk Innovator Norge A/S, Denmark	100%
Mærsk Inspirer Norge A/S, Denmark	100%
The Maersk Company Limited, UK	100%
Maersk Highlander UK Ltd, UK	100%

Only significant subsidiaries have been listed. A more comprehensive list of companies is available on: <http://investor.maersk.com/financials.cfm>

Financial Statements 1 January - 31 December

Notes

5 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.

Subsidiaries are involved in a number of legal disputes. Subsidiaries are also involved in tax disputes in certain countries. Some of these involve significant amounts and are subject to considerable uncertainty.

6 Employee remuneration

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

7 Related parties

The following related parties have a controlling interest in Maersk Drilling Holding 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 A.P. Møller - Maersk Group.

Other related parties with dominant influence include;

- A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K.

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.

8 Shareholders

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

A.P. Møller - Mærsk A/S
Esplanaden 50
1098 Copenhagen K

Financial Statements 1 January - 31 December

Notes

9 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 www.maersk.dk. The consolidated financial statements of A.P. Møller - Holding A/S can be obtained by contacting this company.

10 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.