Maersk Drilling North Sea A/S

Lyngby Hovedgade 85
2800 Kgs. Lyngby

Company Reg. No. 38281283

Annual Report 2018

01 January 2018 - 31 December 2018
(Financial year No. 3)

As adopted by the Company at the Annual General Meeting

06 June 2019

Klaus Greven Kristensen

Content Page

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 North Sea 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, 06 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 North Sea 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 North Sea A/S for the financial period 01 January 2018 - 31 December 2018 which comprise income statement, balance sheet, equity statement 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'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 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, 06 June 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33771231

Thomas Wraae Holm	Kim Danstrup
State Authorised Public Accountant	State Authorised Public Accountant
mne30141	mne32201

Management's Review

Company details

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

Company Reg. No.: 38281283
Date of incorporation: 13 December 2016
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 06 June 2019.

Management's Review (Continued)

Financial Highlights and Key Figures

$'000	2018	2017	2016
Financial Highlights			
Revenue	52,365	64,862	177,924
Gross result	31,086	44,939	143,075
Result before financial items	(19,326)	(27,146)	39,799
Financial items, net	912	(96)	53
Result before tax	(18,414)	(27,242)	39,852
Result for the year	(14,060)	(23,344)	61,478
Total assets	284,365	346,611	371,339
Additions to property, plants and equipment	44,608*	2,268*	–*
Total equity (incl. proposed dividend)	234,689	282,393	305,737
Key Figures			
Operating margin	(36.9)%	(41.9)%	22.4%
Return on invested capital	(6.1)%	(7.3)%	10.1%
Liquidity ratio	22.2%	199.0%	63.2%
Equity ratio	82.5%	81.5%	82.3%
Return on equity	(5.4)%	(7.9)%	20.1%

*) Does not include fixed assets taken over as part of the non-cash contribution 1 January 2017 from A.P. Møller - Mærsk A/S, net USD 347m in non-current assets.

With effect from 1 January 2018, Maersk Drilling North Sea A/S merged with Maersk Volve A/S, with Maersk Drilling North Sea A/S as the continuing company.

The merged has been accounted for using the book value method under with assets and liabilities transferred from Maersk Volve A/S were recognized at book value at the effective date 1 January 2018. Comparative figures have not been restated.

The merger has resulted in an increase in equity as of 1 January 2018 of USD 16m, an increase in receivables from group enterprises of USD 20m and a decrease in tax liabilities of USD 7m.

Management's Review (Continued)

The Company's main activities

The Company and its subsidiaries (the Group) 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.

With effect from 1 January 2018, Maersk Drilling North Sea A/S merged with Maersk Volve A/S, with Maersk Drilling North Sea A/S as the continuing company.

The merged has been accounted for using the book value method under with assets and liabilities transferred from Maersk Volve A/S were recognized at book value at the effective date 1 January 2018. Comparative figures have not been restated.

The merger has resulted in an increase in equity as of 1 January 2018 of USD 16m, an increase in receivables from group enterprises of USD 20m and a decrease in tax liabilities of USD 7m.

Development in activities and finances

The result for the year amounts to USD (14m) (2017: USD (23m)) which is in line with expectations. The negative result is mainly due to low utilization, Maersk Inspirer being rebuilt to initiate contract and the negative impact from impairment of USD 25m relating to Maersk Gallant which currently remain idle in the United Kingdom.

Particular risks

Market

The main risks to the Group's performance and strategy execution relate to future employment of rigs and operational performance. While the global offshore rig markets continued to suffer from overcapacity, utilisation levels have raisen as a result of positive rig demand- and supply side factors. Leading indicators continued to provide support for future drilling activity, as increased tendering activity translated into more awarded contracts troughout the year. Contracting activity also exhibited an element of direct awards, where operators, either trough alliances or directly with selected drilling contractors, bypassed the tendering process.

The fair value estimates used in impairment testing 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 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.

Management's Review (Continued)

Financial exposure

The Company revenue is mainly denominated in USD, while costs are in USD and other currencies. The currency exposure is not considered to be significant.

The Group only has a small concentration of customers but is not considered to have any material credit risks.

Outlook

In 2019 we expect a better result than in 2018. The change is primarily driven by Maersk Inspirer which is expected to start up on a new 5 year contract during 2019.

Statutory statement on Corporate Social Responsibility in accordance with section 99a of theDanish 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 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.

Management's Review (Continued)

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 25% of the shareholder-appointed Board members. As of 31 December 2018, there are no women on the Board, however, it remains the ambition to reach the target of 25% female representation on the Board by 2019.

Maersk Drilling North Sea 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

Accounting Policies

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

With effect from 1 January 2018, Maersk Drilling North Sea A/S merged with Maersk Volve A/S, with Maersk Drilling North Sea A/S as the continuing company.

The merged has been accounted for using the book value method under with assets and liabilities transferred from Maersk Volve A/S were recognized at book value at the effective date 1 January 2018. Comparative figures have not been restated.

The merger has resulted in an increase in equity as of 1 January 2018 of USD 16m, an increase in receivables from group enterprises of USD 20m and a decrease in tax liabilities of USD 7m.

In 2017, a tax-exempt capital contribution and transfer of four rigs from A.P. Møller - Mærsk A/S to Maersk Drilling North Sea A/S were recognized at book value of USD 347m at the date of transfer, 14 July 2017.

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 Maersk Drilling Holding A/S.

The accounting policies are unchanged from last year.

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

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.

Accounting Policies (Continued)

Lease Income

Lease income from operationg leases is recognised over the lease term of the rig.

Other external cost

Other external costs comprise expenses incurred during the year for 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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The depreciation base is the cost prices less estimated residual value at the end of useful life, which for rigs (newbuildings) typically constitute 25 years and other equipment, fixtures, etc. typically constitute 5-10 years.

Estimates of useful lives and residual values are reassessed periodically. Impairment losses are recognised when carrying amount af an asset exceeds the highest af the capital value (value in use) and net selling price.

Cost of yard stay for rigs are recognised when incurred in the value af rigs, etc. and depreciated over the period until the next yard stay.

Gains and losses on sale of property, plant and equipment are calculated as the difference between the sales price less cost of sale and the carrying amount of the asset at the time of sale. Gains and losses are recognised in the income statement.

Accounting Policies (Continued)

Impairment of non-current assets

The carrying amount af intangible assets, property, plant and equipment and investments in subsidiaries are reviewed on an annual basis 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.

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.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Dividend

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity or within joint taxation.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

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.

Accounting Policies (Continued)

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).

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	$\frac{\text{Profit/loss before financial items x 100}}{\text{Revenue}}$
Return on invested capital	$\frac{\text{Profit/loss before financial items x 100}}{\text{Average invested capital}^{1}}$
Liquidity ratio	$\frac{\text{Total current assets x 100}}{\text{Short-term liabilities}}$
Equity ratio	$\frac{\text{End year equity x 100}}{\text{End year total assets}}$
Return on equity	$\frac{\text{Ordinary profit/loss after tax x 100}}{\text{Average equity}}$

[1] Average invested capital is calculated excluding cash and cash equivalents, shares and non-interest bearing debt

Income Statement

Financial Statements 01 January 2018 - 31 December 2018

Note		2018 $'000	2017 $'000
1	Revenue	52,365	64,862
	Other external costs	(21,279)	(19,923)
	Gross result	**31,086**	**44,939**
2	Depreciation, amortisation and impairment losses	(50,412)	(72,085)
	Result before financial items	**(19,326)**	**(27,146)**
3	Financial income	914	–
4	Financial expenses	(2)	(96)
	Result before tax	**(18,414)**	**(27,242)**
5	Tax on result for the year	4,354	3,898
	Result for the year	**(14,060)**	**(23,344)**

Balance Sheet

Financial Statements 01 January 2018 - 31 December 2018

Note	Assets	2018 $'000	2017 $'000
6	**Property, plant and equipment**		
	Rigs	252,321	285,109
	Assets under construction	26,035	2,268
		278,356	**287,377**
	Total non-current assets	**278,356**	**287,377**
	Current assets		
	Receivables		
	Receivables from group enterprises	5,617	57,535
	Other receivables	112	1,599
7	Prepayments	280	100
		6,009	**59,234**
	Total current assets	**6,009**	**59,234**
	TOTAL ASSETS	**284,365**	**346,611**

Balance Sheet (Continued)

Note	Equity and Liabilities	2018 $'000	2017 $'000
	Equity		
	Share capital	1,579	1,418
	Retained earnings	233,110	280,975
	Total equity	**234,689**	**282,393**
	Provisions		
8	Deferred tax liability	22,665	34,457
	Total provisions	**22,665**	**34,457**
	Short-term liabilities		
9	Current share of borrowings from group enterprises	4,417	2,225
	Trade payables	1,744	6,141
	Payables to subsidiaries and group enterprises	12,948	16,517
	Other payables	5,737	4,878
10	Deferred income	2,165	–
	Total short-term liabilities	**27,011**	**29,761**
	Total liabilities	**49,676**	**64,218**
	TOTAL EQUITY AND LIABILITIES	**284,365**	**346,611**

11 Appropriation

12 Commitments and contingent liabilities, etc.

13 Pledge and guarantees

14 Employee remuneration

15 Related parties

16 Shareholders

17 Consolidation

18 Events after the balance sheet date

Equity Statement

Financial Statements 01 January 2018 - 31 December 2018

$'000	Share-capital	Retained earnings	Total
Equity 01 January 2017	1,418	304,319	305,737
Result for the year	–	(23,344)	(23,344)
Equity 01 January 2018	**1,418**	**280,975**	**282,393**
Merger, Maersk Volve A/S	161	16,195	16,356
Extraordinary dividend	–	(50,000)	(50,000)
Result of the year	–	(14,060)	(14,060)
Equity, 31 December 2018	**1,579**	**233,110**	**234,689**

The share capital comprises 11.000 shares of DKK 1,000. No shares hold special rights.

Notes

1. Revenue

	2018 $'000	2017 $'000
Revenue, Norway	52,365	64,862
	52,365	**64,862**

2. Depreciation and impairment losses

	2018 $'000	2017 $'000
Depreciation	(24,893)	(37,726)
Impairment losses	(25,519)	(34,359)
	(50,412)	**(72,085)**

Even a general improved market outlook is expected the situation for the older and currently idle jack-up Mærsk Gallant has worsened and an additional impairment of USD 25m has been recognized in 2018.

3. Financial income

	2018 $'000	2017 $'000
Interest income from group enterprises	768	–
Exchange gain to group enterprises	145	–
Other financial income	1	–
	914	–

4. Financial expenses

	2018 $'000	2017 $'000
Exchange loss from group enterprises	–	(96)
Other financial expenses	(2)	–
	(2)	(96)

5. Tax on the result of the year

	2018 $'000	2017 $'000
Tax for the year	–	(4,877)
Change in deferred tax	4,124	10,870
Adjustments to prior years tax for the year	(858)	–
Adjustments to prior years change in deferred tax	1,088	(2,095)
	4,354	**3,898**

6. Property, plant and equipment

	Rigs	Assets under construction	Total
Cost price 01 January 2018	976,543	2,268	978,811
Merger, Maersk Volve A/S	204,679	–	204,679
Additions	20,841	23,767	44,608
Disposal	(3,524)	–	(3,524)
Cost price 31 December 2018	**1,198,539**	**26,035**	**1,224,574**
Depreciation and impairment losses 01 January 2018	691,434	–	691,434
Disposal	(307)	–	(307)
Merger, Maersk Volve A/S	204,679	–	204,679
Depreciation and impairment losses	50,412	–	50,412
Depreciation and impairment losses 31 December 2018	946,218	–	946,218
Carrying amount 31 December 2018	**252,321**	**26,035**	**278,356**

7. Prepayments

Current prepayments USD 280k (2017: USD 100k) include advance payments for next year relating of rig systems service and hardware.

8. Deferred tax

Deferred tax relates to deferred tax on the carrying amount of the rigs and provisions.

	Asset	Liabilities
Deferred tax 01 January 2018	–	34,457
Change in deferred tax	–	(11,792)
Deferred tax 31 December 2018	**–**	**22,665**

9. Borrowings

	Total balance 31 December 2018	Install- ment next year	Balance due after 5 years
Loan from group enterprise	4,417	4,417	–
Total	**4,417**	**4,417**	**–**

10. Deferred income

Deferred income USD 2m (2017: USD 0k) comprises payments received from for to future financial years.

11. Appropriation

	2018 $'000	2017 $'000
Extraordinary dividend	50,000	–
Retained earnings	(64,060)	(23,344)
	(14,060)	**(23,344)**

12. Commitments and contingent liabilities, etc.

Operating lease commitments

The Company has no commitments entered into.

Contingent liabilites

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.

13. Pledges and guarantees

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

Property, plant and equipment with carrying amount of USD 252,321k (the collateral rigs) has been pledged as security for these borrowings. In addition to the collateral rigs, insurance coverage and certain bank accounts related to the collateral rigs are pledged as security. In certain circumstances, earnings in respect of drilling contracts for the collateral rigs may be assigned in favour of the lenders under the loan agreement.

14. Employee remuneration

Mærsk Drilling North Sea A/S has had 0 employees in 2018 and 2017. Personnel are hired from affiliates in the Maersk Drilling Holding Group. The Board of Directors has not been remunerated.

15. Related parties

The following related parties have a controlling interest in Maersk Drilling North Sea A/S;

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

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 North Sea 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.

Transactions with related parties

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 share capital or minimum 5% of the nominal share 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 the balance sheet

In April 2019, the Maersk Drilling Holding A/S and its subsidiaries were separated from the A.P. Moller - 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.