Maersk Drilling North Sea A/S

Lyngby Hovedgade 85
DK-2800 Kgs. Lyngby

CVR no. 38 28 12 83

Annual report 2021

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

21 June 2022

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Klaus Greven Kristensen
Chairman of the annual general meeting

Contents

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 Drilling North Sea A/S for the financial year 1 January – 31 December 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Kgs. Lyngby, 21 June 2022
Executive Board:

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Morten Kelstrup
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Morten Kelstrup

Board of Directors:

DocuSigned by: Christine Brennet E47E8E5F8C11416...	DocuSigned by: CA48B6F839F8488...	DocuSigned by: Morten Kelstrup 3265996E93CA4D4...
Christine Brennet (Morris) Chairman	Klaus Greven Kristensen	Morten Kelstrup

Independent auditor's report

To the shareholders of Maersk Drilling North Sea A/S

Opinion

We have audited the financial statements of Maersk Drilling North Sea A/S for the financial year 1 January – 31 December 2021 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.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

Copenhagen, 21 June 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

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Management's review

Company details

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

CVR no.:	38 28 12 83
Established:	13 December 2016
Registered office:	Kgs. Lyngby
Financial year:	1 January – 31 December

Board of Directors

Christine Brennet (Morris), Chairman
Klaus Greven Kristensen
Morten Kelstrup

Executive Board

Morten Kelstrup

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
DK-2900 Hellerup
CVR no. 33 77 12 31

Management's review

Financial highlights

USD'000	2021	2020	2019	2018	2017*
Key figures					
Revenue	6,140	8,922	23,951	52,365	64,862
Gross profit/loss	221,027	-21,563	2,765	31,086	44,939
Profit/loss before financial income and expenses	211,113	-113,980	-22,760	-19,326	-27,146
Profit/loss from financial income and expenses	-417	-3,054	-1,373	912	-96
Profit/loss before tax	210,696	-117,034	-24,133	-18,414	-27,242
Profit/loss for the year	164,641	-92,042	-26,674	-14,060	23,344
Total assets	383,426	230,390	325,077	284,365	346,611
Equity	280,614	115,973	208,015	234,689	282,393
Investment in property, plant and equipment	5,899	4,764	58,181	44,608	2,268
Ratios					
Operating margin	3,438%	-1,278%	-95%	-37%	-42%
Return on invested capital	69%	-41%	-8%	-6%	-7%
Current ratio	359%	7%	16%	22%	199%
Return on equity	83%	-57%	-12%	-5%	-8%
Solvency ratio	73%	50%	64%	83%	82%

* Comparative figures for 2017 have not been restated to reflect the merger with Maersk Volve A/S.
The financial ratios have been calculated as follows:

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

Management's review

Operating review

Principal activities

The Company 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. The Company's principal activity is to lease the drilling rig Maersk Innovator.

Development in activities and financial position

The Company's income statement for 2021 shows an income of USD 164,641 thousand as against a loss of USD 92,042 thousand in 2020. Equity in the Company's balance sheet at 31 December 2021 is 280,614 thousand as against USD 115,973 thousand at 31 December 2020.

The financial year was in line with forecast, and results for the year are considered satisfactory.

The spread of COVID-19 led to an unprecedented decline in demand for oil and gas, caused by the spread of COVID-19 that started in 2020, has resulted in a net impairment loss of USD 3,816 thousands, recognized in the result for 2021. The result before tax and before net impairment loss for 2021 amounts to an income of USD 214,512 thousands compared to a loss of USD 65,141 thousands in 2020. The result in 2021 is impacted by the rigs Mærsk Gallant and Mærsk Inspirer being sold during 2021. The result for the year is in line with management's expectations.

Outlook

The result for 2022 are continued subject to risks and uncertainties as various factors, many of which are beyond the company's control, may cause the actual development and results to differ materially from expectations. The results for 2022 are primarily sensitive to the level of contracting of additional days to the current backlog and the day rates hereon. Capital expenditures are sensitive to final scheduling and scoping of rig upgrades and yard stays, which are subject to commercial and operational planning. Under the current circumstances management expects to reach a gross loss for 2022 in the range from USD 0 - 5 million.

Uncertainty regarding recognition and measurement

When preparing the annual report, management undertakes a number of accounting estimates and judgements to recognise, measure and classify the assets and liabilities. The only significant accounting estimate and judgement relates to the assessment of impairment of property, plant and equipment.

Following the revised market outlook with lower expectations as to utilisation and day rates for the coming years, Management has recognised a net impairment loss of USD 3,816 thousand.

Management assesses impairment indicators for property, plant and equipment and determines the recoverable amount generally consistent with the assumptions described in note 2 of the annual report to which reference is made.

Management's review

Operating review

Particular risks

Operating risks

A fundamental factor in driving demand for offshore drilling rigs is the level of spending by oil and gas companies on exploration, development, production and maintenance as well as decommissioning activities. This level is, to a large extent, a function of project sanctioning, which is based on oil and gas companies' long-term assessment of oil and gas prices impacting their cash flow generation as well as the economics of the offshore exploration and development projects in their portfolios.

Over the past years, oil and gas companies have optimised their business models to structurally reduce offshore project costs through project optimisation, standardisation, digitisation, simplification and service cost deflation. As a result of the lower cost levels, more than 90% of offshore oil and gas projects are today economically feasible at an oil price around USD 60 per barrel. Combined with the oil and gas companies' increasing positive cash flows, this has provided them with the opportunity to invest in new offshore projects.

The price of Brent crude oil recovered to between USD 70-85 per barrel in 2021, the highest levels since 2014, spurring an increase in the demand for, and the utilisation of, offshore drilling rigs. This has provided support to day rates, which gradually increased throughout 2021 from COVID-19 lows. In the past, current oil prices would have likely led to increased capital spending and the emergence of longer duration contracts by operators looking to replace current production with new reserves. Subsequent to year-end, the oil price has increased over USD 90 per barrel due to the war on Ukraine. This may lead the oil and gas companies to further increase exploration and drilling activities.

Financial risks

Currency risks

Currency risk is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. Currency exposure arises from the Company operating in countries with different local currencies. Revenue is primarily denominated in USD, which is also the presentation currency of the Company, while related operating costs are incurred in both USD and local currencies.

The exposure to changes in foreign exchange rates is generally mitigated by entering into customer contracts where an element of the contract value is in local currency to create a natural hedge between contracted revenue and local operating costs. The Maersk Drilling Group uses foreign exchange forward contracts to hedge any excess exposure, but such hedges are generally not entered into by individual subsidiaries.

Currency exposure is considered insignificant.

Interest rate risks

Interest rate risk is the risk that future cash flows from financial instruments will fluctuate because of changes in market interest rates. The interest rate exposure arises from loans and other credit facilities carrying floating interest rates.

The Maersk Drilling Group mitigates interest rate exposure by entering into fixed rate loans or interest rate swaps at the parent company level whereas individual subsidiaries generally are funded through loans carrying floating interest rates.

Management's review

Operating review

Credit risks

For drilling contracts, credit risk is minimised by undertaking a credit assessment of the counterparty prior to entering into the contracts. Depending on creditworthiness, the Company may seek protection in the form of parent company guarantees, prepayments or other types of collateral.

The Company has a concentration of customers, but is not considered exposed to material credit risks, as the customers are major international oil companies.

Safety

For the Company, safety is a top priority. It is an unwavering commitment, rooted in our Core Values. Safety permeates everything we do and stand for, onshore and offshore, and it is the foundation for delivering reliable and efficient operations to our customers. Our ambition is to have zero serious incidents.

Environmental matters

The Company’s ambition is to provide responsible drilling services, and reducing the environmental impact of our operations is an important part of this. We mainly target impacts relating to spills, waste and the use of chemicals onboard our rigs. Our Health, Safety, Security and Environment (HSSE) function works in close cooperation with our rigs to optimise activities governed by our HSSE Policy as well as our Corporate Major Accident Prevention Policy.

Financial statements 1 January – 31 December

Income statement

USD'000	Note	2021	2020
Revenue	3	6,140	8,922
Other operating income		239,111	0
Other external costs		-24,224	-30,485
Gross profit/loss		221,027	-21,563
Depreciation, amortisation and impairment losses		-9,914	-92,417
Profit/loss before financial income and expenses		211,113	-113,980
Financial income	4	1,326	642
Financial expenses	5	-1,743	-3,696
Profit/loss before tax		210,696	-117,034
Tax on profit/loss for the year	6	-46,055	24,992
Profit/loss for the year		164,641	-92,042

Proposed profit appropriation/distribution of loss

Retained earnings		164,641	-92,042

Financial statements 1 January – 31 December

Balance sheet

USD'000	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Property, plant and equipment	7		
Rigs		69,979	219,588
Assets under construction		3	3,771
		69,982	223,359
Total fixed assets		69,982	223,359
Current assets			
Inventories			
Bunkers		194	0
Receivables			
Trade receivables		167	1,560
Receivables from group entities		311,635	476
Other receivables		1,339	1,000
Corporation tax		0	3,328
Prepayments		109	667
		313,250	7,031
Total current assets		313,444	7,031
TOTAL ASSETS		383,426	230,390

Financial statements 1 January – 31 December

Balance sheet

USD'000	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital	8	1,579	1,579
Retained earnings		279,035	114,394
Total equity		280,614	115,973
Provisions	9		
Provisions for deferred tax		15,395	12,581
Total provisions		15,395	12,581
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		6,227	1,080
Payables to group entities		36,997	100,733
Corporation tax		44,193	0
Other payables		0	23
		87,417	101,836
Total liabilities other than provisions		87,417	101,836
TOTAL EQUITY AND LIABILITIES		383,426	230,390

Financial statements 1 January – 31 December

Statement of changes in equity

USD'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	1,579	206,436	208,015
Transferred over the distribution of loss	0	-92,042	-92,042
Equity at 1 January 2021	1,579	114,394	115,973
Transferred over the distribution of profit	0	164,641	164,641
Equity at 31 December 2021	1,579	279,035	280,614

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Maersk Drilling North Sea A/S for 2021 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

Change in reporting class

The annual report of Maersk Drilling North Sea A/S for 2021 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act. The transition compared to the previous financial year from the provisions applying to reporting class C large entities under the Danish Financial Statements Act has not resulted in any changes to recognition and measurement and the change therefore only impacts the note disclosures and requirements to Management's Review.

The accounting policies used are unchanged compared to last year, and the financial statements are presented in USD (USD'000).

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the consolidated cash flow statements of The Drilling Company of 1972 A/S, Lyngby Hovedgade 85, 2800 Kgs Lyngby, CVR no. 40 40 47 16.

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 exchange rates at the transaction day.

USD is used as functional currency and as presentation currency because the majority of transactions are in USD. At 31 December 2021, the exchange rate DKK/USD was 654.88 (2020: 605.76).

Income statement

Revenue

Revenue from drilling activities, which typically comprises of bare boat hire income and other revenue related to the drilling activity, is recognised under revenue for the operating period related to the financial year.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Other external costs

Other external costs comprise costs incurred during the year for repair and maintenance, catering, hired crew and administrative expenses.

Other operating income

Other operating income comprises mainly income from the sale of the rigs: Mærsk Gallant in May, 2021 and Mærsk Inspirer in October, 2021.

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. Current Danish income tax is allocated among the jointly taxed companies in proportion to their taxable income (full allocation with refund for tax losses).

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Rigs	25 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories consits of bunkers and are measured at cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less write-down 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 relating to subsequent financial years.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are measured at amortised cost, which essentially corresponds to nominal value.

Segment information

Segment information is provided on geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

2 Disclosure of material uncertainties regarding recognition and measurement

In 2020, measures to contain the spread of COVID-19 led to an unprecedented decline in demand for oil and gas. Simultaneously, intervention by OPEC+ in the form of historic production cuts were insufficient to offset the decline in oil and gas demand. As a result, Brent oil prices dropped from pre-COVID levels of USD 50-70 to USD 20-40 per barrel.

Following a challenging 2020, an improving outlook for global oil and gas demand caused Brent oil prices to recover affecting the demand for, and the utilisation of, offshore drilling rigs. This has provided support to day rates, which gradually increased throughout 2021 from COVID-19 lows, but mainly in the global floater segment, leaving the jack-up segment still struggling with high supply of the rigs.

Following the revised market outlook for the coming years, Management has recognised a net impairment loss of USD 3,816 thousand, as a result of estimated lower recoverable amount of property, plant and equipment.

The recoverable amount is determined based on the higher of its value-in-use or fair value less cost to sell. Given the continued illiquidity of the secondary market for offshore rigs with no supportable price indications management applies value-in-use calculations in the impairment test. The value-in-use is calculated based on cash flow projections in financial budgets and business plans for the coming 5 years as approved by management. For the period after the 5-year forecast period an expected inflation rate of 2.5% p.a. is applied. In nature, these cash flow projections are subject to judgement and estimates that are uncertain.

The assessment of indications of impairment of property, plant and equipment is based on the expectations for future profitability, contract coverage, etc applicable as of 31 December 2021, which may be different from the expectations for future profitability, contract coverage, etc applicable as of the approval of this annual report as set out in the Outlook section of the Management’s review. As a result, the Company may face adjustments to the recognized impairment of property, plant and equipment in future reporting periods.

Financial statements 1 January – 31 December

Notes

USD'000		2021	2020
3	**Revenue**		
	Revenue, Norway	6,140	8,922
		6,140	8,922
4	**Financial income**		
	Exchange gains from group entities	1,326	642
5	**Financial expenses**		
	Interest expense to group entities	1,163	1,043
	Other financial expenses	3	2
	Exchange losses to group entities	577	2,651
		1,743	3,696
6	**Tax on profit/loss for the year**		
	Current tax for the year	44,192	-3,328
	Deferred tax for the year	2,815	-18,856
	Adjustment of tax concerning previous years	-952	-2,808
		46,055	-24,992

7 Property, plant and equipment

USD'000	Rigs	Assets under construction	Total
Cost at 1 January 2021	1,044,226	6,628	1,050,854
Additions for the year	0	5,899	5,899
Assets sold during the year	-762,521	-4,616	-767,137
Transfers for the year	7,908	-7,908	0
Cost at 31 December 2021	289,613	3	289,616
Depreciation and impairment losses at 1 January 2021	-824,638	-2,857	-827,495
Impairment losses for the year	-3,816	0	-3,816
Depreciation for the year	-16,654	0	-16,654
Reversed depreciation and impairment on assets sold	614,918	2,857	617,775
Impairment reversal	10,556	0	10,556
Depreciation and impairment losses at 31 December 2021	-219,634	0	-219,634
Carrying amount at 31 December 2021	69,979	3	69,982

Financial statements 1 January – 31 December

Notes

8 Contributed capital

Contributed capital consists of 11,000 shares of DKK 1,000.

No shares carry special rights.

9 Deferred tax

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

USD'000	31/12 2021	31/12 2020
Deferred tax at 1 January	12,581	31,437
Deferred tax adjustment for the year in the income statement	2,814	-18,856
	15,395	12,581

10 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 corporation tax and withholding taxes on dividends, interest and royalties within the jointly taxed entity.

11 Mortgages and collateral

Jointly with other Maersk Drilling entities, the Company has guaranteed a total of USD 1,037 million related to Term and Revolving Facilities Agreements held by The Drilling Company of 1972 A/S. As of 31 December 2021, USD 400 million of the facilities were undrawn.

Property, plant and equipment with a carrying amount of USD 70 million (collateral rigs) has been provided as collateral for the credit facilities set out above. In addition to the collateral rigs, insurance coverage and certain bank accounts related to the collateral rigs and certain intra-group charterers in respect of the collateral rigs have been provided as collateral. In certain circumstances, earnings from drilling contracts for the collateral rigs will be assigned in favour of the lenders under the loan agreement.

Financial statements 1 January – 31 December

Notes

12 Related party disclosures

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, DK-1263 Copenhagen K (ultimate parent company preparing consolidated financial statements)
- APMH Invest A/S, Esplanaden 50, DK-1263 Copenhagen K
- The Drilling Company of 1972 A/S, Lyngby Hovedgade 85, DK-2800 Kgs. Lyngby (initial parent company preparing consolidated financial statements)
- Maersk Drilling A/S, Lyngby Hovedgade 85, DK-2800 Kgs. Lyngby (immediate parent company)

Other related parties

The Board of Directors and the Executive Management of the entities listed above with 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 and affiliates of A.P. Møller Holding A/S, including A.P. Møller - Mærsk A/S and its subsidiaries and affiliates and Danske Bank 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.

Consolidated financial statements

The consolidated financial statements of The Drilling Company of 1972 A/S, Lyngby Hovedgade 85, 2800 Kgs. Lyngby can be obtained by contacting this company or at investor.maerskdrilling.com/financial-reports-presentations.

The consolidated financial statements of A.P. Møller Holding A/S can be obtained by contacting this company or at its website www.apmoller.com.

13 Disclosure of 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