Schlumberger Danmark ApS

Tværkaj 2, 6700 Esbjerg

CVR no. 17 37 14 44

Annual report 2017

Approved at the Company's annual general meeting on 30 May 2018

Chairman

Atle Nottvelt

Atle Nottvelt

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Schlumberger Danmark ApS for the financial year 1 January - 31 December 2017.

The annual report is prepared in accordance with the Danish Financial Statements Act

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Copenhagen, 30 May 2018
Executive Board

Frank Lind

Board of Directors

Atle Nottveit Chairman	Frank Lind	Iben Jensen

Independent auditor's report

To the shareholders of Schlumberger Danmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Schlumberger Danmark ApS for the financial year 1 January - 31 December 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statments").

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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 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 the 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 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.

Independent auditor's report

- 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 note 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.

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, 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 Statement Act. We did not identify any material misstatement of the Management's review.

Hellerup, 30 May 2018
PricewaterhouseCoopers
Statsautoriseret revisionspartnerselskab
CVR no. 33 77 12 31

Ole Tjørnelund Thomsen
State authorised public accountant
MNE no.: mne10637

Jeppe Bækkelund Pacini
State authorised public accountant
MNE no.: mne35792

Management's review

Company details

Name	Schlumberger Danmark ApS
Address, Postal code, City	Tværkaj 2, 6700 Esbjerg
CVR no.	17 37 14 44
Financial year	1 January - 31 December
Board of Directors	Atle Nottveit, Chairman Frank Lind Iben Jensen
Executive Board	Frank Lind
Auditors	PricewaterhouseCoopers Statsautoriseret revisionspartnerselskab Strandvejen 44, 2900 Hellerup

Management's review

Financial highlights

DKK	2017	2016	2015	2014	2013
Key figures					
Revenue	640,588,619	907,245,335	1,109,271,201	875,578,065	611,098,790
Operating profit/loss	45,636,377	83,955,390	57,435,266	114,026,387	-4,832,246
Net financials	8,817,369	519,918	4,035,418	-5,587,715	24,914,824
Profit before tax	54,453,746	84,475,308	126,470,684	108,438,671	20,082,578
Profit/loss for the year	32,200,632	53,251,003	97,465,802	70,326,446	9,808,670
Total assets	341,449,290	448,340,651	586,964,571	638,374,313	593,131,848
Investment in property, plant and equipment	7,990,001	26,812,647	22,976,630	16,478,879	20,338,692
Equity	162,594,255	130,393,623	145,736,606	165,705,393	54,327,231
Financial ratios					
Return on assets	11.6%	16.2%	9.4%	18.5%	-0.8%
Solvency ratio	47.6%	29.1%	24.8%	26.0%	9.2%
Return on equity	22.0%	38.6%	62.6%	63.9%	12.7%
Average number of employees	169	185	171	177	177

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

The comparison figures for 2013-2016 have been changed in connection with the preparation of the annual report. Reference is made to note 1 for further information.

Management's review

Business review

Schlumberger Danmark ApS provides products and services to the oil & gas industry.

The portfolio of services the company provides includes:

Well Services - provides services used during oil and gas well drilling and completion as well as those used to maintain optimal production throughout the life of a well. Such services include pressure pumping, well cementing and stimulation, and coiled tubing equipment for downhole mechanical well intervention, reservoir monitoring and downhole data acquisition.

Drilling & Measurements - provides mud logging services for geological and drilling surveillance, directional drilling, measurement-while-drilling and logging-while-drilling services for all well profiles as well as engineering support.

Testing services - provides exploration and production pressure and flow-rate measurement services both at the surface and downhole. Testing has a network of laboratories that conduct rock and fluid characterization. Testing also provides tubing-conveyed perforating services.

Wireline - provides the information necessary to evaluate subsurface formation rocks and fluids to plan and monitor well construction, and to monitor and evaluate well production. Wireline offers both openhole and cased-hole services including wireline perforating. Slickline services provide downhole mechanical well intervention.

Completions - supplies well completion services and equipment that include packers, safety valves, sand control technology as well as a range of intelligent well completions technology and equipment.

Software Integrated Solutions - sells proprietary software and provides consulting, information management and IT infrastructure services to customers in the oil and gas industry. SIS also offers expert consulting services for reservoir characterization, field development planning and production enhancement, as well as industry leading petrotechnical data services and training solutions.

Artificial Lift - provides production equipment and optimization services using electrical submersible pumps, gas lift equipment, rod lift systems, progressing cavity pumps and surface horizontal pumping systems.

M-I Swaco is a supplier of drilling fluid systems engineered to improve drilling performance by anticipating fluids-related problems; fluid systems and specialty equipment designed to optimize wellbore productivity; and production technology solutions formulated to maximize production rates. M-I Swaco also provides engineered managed pressure drilling and underbalanced drilling solutions, as well as environmental services and products to safely manage waste volumes generated in both drilling and production operations.

Schlumberger Danmark ApS is a Schlumberger Group Company. During the year the company merged with MI Swaco Danmark ApS.

Recognition and measurement uncertainties

No particular uncertainties are considered to have an impact on the recognition of the Company's assets and liabilities.

Management's review

Financial review

In 2017, the Company's revenue amounted to DKK 640,588,619 against DKK 907,245,335 last year. The income statement for 2017 shows a profit of DKK 32,200,632 against a profit of DKK 53,251,003 last year, and the balance sheet at 31 December 2017 shows equity of DKK 162,594,255. The drop in activity has resulted in a drop in revenue.Consequently, the profitability is below expectation.

As Schlumberger Danmark ApS merged with M-I Swaco ApS during 2017, comparable numbers have been made for 2016. The numbers above reflect the numbers of the merged entity.

In 2016 Schlumberger Danmark ApS entered into a credit facility agreement for MDKK 150 with a duration of 5 years to assure it has access to enough cash to fulfil its short time obligations. As of 31 December 2017, Schlumberger Danmark ApS has not made any withdrawal on this credit facility. Finally, the outlook is that the company continues to generate cash in 2018 and subsequent years. Therefore the overall conclusion of the board is that Schlumberger Danmark ApS has sufficient liquidity to fulfil all its (short) term obligations.

The company's equity ratio is 47.6% at year end 2017 compared to 29.1% for the prior year. As a result of the company's operations for the year 2017 the net working capital has decreased by 11 MDKK to 72 MDKK.

Special risks

Demand for the majority of our services depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves. These expenditures are generally dependent on the industry's view of future oil and natural gas prices and are sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. Since 2014, oil and gas prices have declined significantly, globally resulting in lower expenditures by the oil and gas industry.

Continued low oil and gas prices or a further decline in oil and gas prices could cause a reduction in cash flows for our customers, which could have adverse effects on the financial condition of some of our customers. This could potentially result in project modifications, delays or cancellations, general business disruptions, and delays in payment of amounts that are owed to us. These effects could have an adverse effect on our financial condition, results of operations and cash flows.

The prices for oil and natural gas have historically been volatile and can be affected by a variety of factors, including:

- Demand for hydrocarbons, which is affected by general economic and business conditions;
- The ability or willingness of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels for oil;
- Oil and gas production levels by non-OPEC countries;
- The level of excess production capacity;
- Political and economic uncertainty and geopolitical unrest;
- The level of worldwide oil and gas exploration and production activity;
- Access to potencial resources
- Governmental policies and subsidies
- The costs of exploring for, producing and delivering oil and gas;
- Technological advances affecting energy consumption; and
- Weather conditions.

There can be no assurance that the demand or pricing for oil and natural gas will follow historic patterns or recover in the near term. Continued or worsening conditions in the oil and gas industry could adversely affect our financial condition, results of operations and cash flows.

Management's review

Impact on the external environment

Quality, Health, Safety, Environment (QHSE) remains a constant priority for the company. A number of policies and procedures have been developed to secure a consistent approach to QHSE throughout the organisation. The company continually trains and develops personnel in the field of QHSE.

The main objective of the environmental work is concentrated on preventing harmful discharges

Statutory CSR report

The company has no policies for Corporate Social Responsibility, including environment, climate and human rights.

Account of the gender composition of Management

The ultimate parent company, Schlumberger Limited has determined the following policy applicable within the Schlumberger Group: "We must attract and retain top performers worldwide from the full depth of the talent pool and address the evolving needs of our workforce in terms of quality of life and dual career expectations. By creating a variety of perspectives - gender and culture - that stimulate productive creativity and innovation - we maintain our competitive edge.

Looking forward, our goal is to continually increase the percentage of women we recruit worldwide, ensure proper career development for high-performing women, and increase our organizational flexibility to accommodate a wider range of personal situations.

We have renewed our commitment to gender diversity by setting a new target of having women comprise 25% of our workforce at all levels of the organization by 2020."

Schlumberger Danmark ApS' overall gender composition has improved slightly in 2017 where 12.6 % (12.4% for 2016) were women. At management level 26% were women, compared to 29% in 2016. The Company aims to be a workplace of equal opportunities.

Diversity in the Board of Directors

At the moment, one of the three board members in Schlumberger Danmark ApS are Women. Thereby equally representation is reached, and no additional reporting is done.

Events after the balance sheet date

No significant events have taken place in 2018 which would have an impact on the company's financial position as at December 2017.

Outlook

The oil and gas activity in Denmark has declined mainly driven by lower drilling activity and well service scope. In addition the company has been operating contracts in 2017 that are expiring in 2018. Consequently Schlumberger face a decline in our core business activities in the Danish sector in 2018 compared to the activity in 2017.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2017	2016
2	Revenue	640,588,619	907,245,335
	Cost of sales	-255,320,143	-372,387,888
	Other operating income	3,803,557	1,450,741
	External expenses	-119,574,829	-180,128,501
	Gross margin	269,497,204	356,179,687
3	Staff costs	-161,614,055	-199,115,124
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-62,246,772	-73,109,173
	Profit before net financials	45,636,377	83,955,390
4	Financial income	17,077,884	11,637,092
5	Financial expenses	-8,260,515	-11,117,174
	Profit before tax	54,453,746	84,475,308
6	Tax for the year	-22,253,114	-31,224,305
	Profit for the year	32,200,632	53,251,003

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	ASSETS		
	Fixed assets		
7	Intangible assets		
	Goodwill	48,683,735	97,367,471
		48,683,735	97,367,471
8	Property, plant and equipment		
	Plant and machinery	28,252,868	32,715,179
	Other fixtures and fittings, tools and equipment	7,003,305	11,031,054
	Leasehold improvements	4,126,558	4,771,061
	Property, plant and equipment in progress	1,902,709	5,783,429
		41,285,440	54,300,723
9	Investments		
	Deposits, investments	928,288	971,718
		928,288	971,718
	Total fixed assets	90,897,463	152,639,912
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	12,378,902	17,479,625
	Finished goods and goods for resale	30,812,487	36,351,769
		43,191,389	53,831,394
	Receivables		
	Trade receivables	15,098,414	113,792,250
	Receivables from group entities	86,132,567	42,438,127
10	Deferred tax assets	241,061	1,173,540
	Other receivables	4,713,949	1,245,439
11	Prepayments	22,781,154	10,353,214
		128,967,145	169,002,570
	Cash	78,393,293	72,866,775
	Total non-fixed assets	250,551,827	295,700,739
	TOTAL ASSETS	341,449,290	448,340,651

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	20,001,000	20,001,000
	Retained earnings	110,392,623	110,392,623
	Dividend proposed for the year	32,200,632	0
	Total equity	162,594,255	130,393,623
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Payables to group entities	0	105,104,085
		0	105,104,085
	Current liabilities other than provisions		
	Bank debt	5,855,739	14,482,016
	Trade payables	34,891,677	55,732,151
	Payables to group entities	96,742,919	80,506,195
	Income taxes payable	7,405,659	10,252,878
	Other payables	33,069,942	43,100,079
13	Deferred income	889,099	8,769,624
		178,855,035	212,842,943
	Total liabilities other than provisions	178,855,035	317,947,028
	TOTAL EQUITY AND LIABILITIES	341,449,290	448,340,651

1 Accounting policies
14 Contractual obligations and contingencies, etc.
15 Related parties
16 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2016	20,001,000	57,141,620	130,000,000	207,142,620
17	Transfer, see "Appropriation of profit"	0	53,251,003	0	53,251,003
	Dividend distributed	0	0	-130,000,000	-130,000,000
	Equity at 1 January 2017	20,001,000	110,392,623	0	130,393,623
17	Transfer, see "Appropriation of profit"	0	0	32,200,632	32,200,632
	Equity at 31 December 2017	20,001,000	110,392,623	32,200,632	162,594,255

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Schlumberger Danmark ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Changes in accounting policies

The annual report is the first since the merger between Schlumberger Danmark ApS and M-I Swaco ApS with Schlumberger Danmark ApS as the continuing company. The annual report has been prepared in accordance with the pooling of interest method. Comparison figures have been adjusted accordingly. Reclassifications has been made. The reclassifications has however no impact on net result or equity.

Except from the above the accounting policies used in the preparation of the financial statement are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Schlumberger Ltd.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Intra-group business combinations

Intercompany business combinations are accounted for using the pooling of interest method.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Income from the rendering of services is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

Cost of sales

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

Customer contracts are amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature, earnings and market position of the acquired entity as well as the stability of the industry and the dependence on key staff.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Customer contracts	7 years
Plant and machinery	2-8 years
Other fixtures and fittings, tools and equipment	4-8 years
Leasehold improvements	5-30 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed until 2016. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Acquired goodwill is subsequently measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life, which is 7 years. The amortisation period is fixed on the basis of the expected repayment horizon, longest for strategically acquired business enterprises with strong market position and long-term earnings profiles.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments

Investments consists of deposits which are measured at cost value. Deposits are not depreciated.

Impairment of fixed assets

Every year, intangible assets and property, plant and equipment as well as investments in subsidiaries and associates are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured in accordance with the weighted average cost. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets $\quad \dfrac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$

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Notes to the financial statements

1 Accounting policies (continued)

Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

	DKK	2017	2016
2	**Segment information**		
	Drilling	41,606,380	94,667,653
	Characterization	177,810,918	276,355,768
	Completions	212,891,253	284,127,798
	Well intervention	208,097,483	251,912,680
	Production	182,585	181,436
		640,588,619	907,245,335

Revenue in all material respects is from Denmark or the North Sea Area.

3	**Staff costs**		
	Wages/salaries	150,672,678	163,743,594
	Pensions	10,235,600	10,849,934
	Other social security costs	-248,015	109,578
	Other staff costs	953,792	24,412,018
		161,614,055	199,115,124
	Average number of full-time employees	169	185

Total remuneration to management in 2017 amounted to DKK 2.54m (DKK 2.59m for 2016).

4	**Financial income**		
	Interest receivable, group enterprises	1,657,450	2,157,373
	Exchange rate gain	15,405,266	9,479,719
	Other financial income	15,168	0
		17,077,884	11,637,092

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Notes to the financial statements

	DKK	2017	2016
5	**Financial expenses**		
	Interest expenses, group enterprises	712,450	1,004,414
	Exchange rate loss	7,548,065	10,094,555
	Other financial expenses	0	18,205
		8,260,515	11,117,174
6	**Tax for the year**		
	Estimated tax charge for the year	20,893,690	31,844,778
	Deferred tax adjustments in the year	932,479	-620,449
	Tax adjustments, prior years	426,945	-24
		22,253,114	31,224,305

7 **Intangible assets**

DKK	Goodwill
Cost at 1 January 2017	340,786,147
Cost at 31 December 2017	340,786,147
Impairment losses and amortisation at 1 January 2017	243,418,676
Amortisation/depreciation in the year	48,683,736
Impairment losses and amortisation at 31 December 2017	292,102,412
Carrying amount at 31 December 2017	48,683,735
Amortised over	7 years

8 **Property, plant and equipment**

DKK	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2017	149,411,854	33,760,335	7,495,443	5,979,162	196,646,794
Additions in the year	7,879,789	110,212	0	0	7,990,001
Disposals in the year	-14,019,259	-5,671,263	0	0	-19,690,522
Transfer from other accounts	3,086,291	794,429	0	-3,880,720	0
Cost at 31 December 2017	146,358,675	28,993,713	7,495,443	2,098,442	184,946,273
Impairment losses and depreciation at 1 January 2017	116,696,675	22,729,281	2,724,382	195,733	142,346,071
Amortisation/depreciation in the year	9,635,978	3,282,555	644,503	0	13,563,036
Reversal of amortisation/depreciation and impairment of disposals	-8,226,846	-4,021,428	0	0	-12,248,274
Impairment losses and depreciation at 31 December 2017	118,105,807	21,990,408	3,368,885	195,733	143,660,833
Carrying amount at 31 December 2017	28,252,868	7,003,305	4,126,558	1,902,709	41,285,440

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Notes to the financial statements

9 Investments

DKK	Deposits, investments
Cost at 1 January 2017	971,718
Disposals in the year	-43,430
Cost at 31 December 2017	928,288
Carrying amount at 31 December 2017	928,288

10 Deferred tax

Deferred tax relates to:

DKK	2017	2016
Intangible assets	352,000	352,000
Property, plant and equipment	185,381	-49,622
Other taxable temporary differences	-778,442	-1,475,918
	-241,061	-1,173,540

11 Prepayments

Prepayments comprise prepaid expenses relating to subsequent financial years, including prepaid rent.

12 Share capital

Analysis of the share capital:

20,001,000 shares of DKK 1.00 nominal value each	20,001,000	20,001,000
	20,001,000	20,001,000

Analysis of changes in the share capital over the past 5 years

DKK	2017	2016	2015	2014	2013
Opening balance	20,001,000	20,001,000	20,000,000	20,000,000	20,000,000
Capital increase	0	0	1,000	0	0
	20,001,000	20,001,000	20,001,000	20,000,000	20,000,000

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Notes to the financial statements

13 Deferred income

Deferred income comprises payments relating to sale which will not be recognised as income until in the subsequent financial year once the recognition criteria are satisfied.

14 Contractual obligations and contingencies, etc.

Other contingent liabilities

As management company, Schlumberger Danmark ApS is subject to the Danish scheme of jointly taxation and unlimited jointly and severally liable with other jointly taxed Danish companies in the Schlumberger group for the total corporation tax until 2016.

Other financial obligations

Other rent and lease liabilities:

DKK	2017	2016
Rent and lease liabilities	21,253,606	18,710,315

The company has placed guarantees in relation to customer warranties and customs of total 2.533 thousand (2016: 2.533 thousand).

15 Related parties

Schlumberger Danmark ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Schlumberger B.V.	Parkstraat 83-89, 2514 JG The Hague, The Netherlands	Controlling interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Schlumberger Ltd.	Willemstad, Curacao	The Schlumberger Ltd. annual report can be obtained from the link http://investorcenter.slb.com/phoenix.zhtml?c=97513&p=irol-reportsannual

Schlumberger Ltd is the only entity within the group that consolidates the Schlumberger Danmark ApS figures in its financial reporting. No consolidation takes place at a lower level.

Related party transactions

With reference to section 98 C(7) of the Danish Financial Statements Act, the company has chosen only to disclose transactions with related parties not carried through on normal market terms.

All transactions with related parties have been carried through on normal terms.

Financial statements 1 January - 31 December

Notes to the financial statements

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Schlumberger B.V.	Parkstraat 83-89, 2514 JG Den Haag, Netherlands

	DKK	2017	2016
16	Fee to the auditors appointed by the Company in general meeting		
	Statutory audit	646,852	581,207
	Tax advisory services	0	148,372
	Other services	160,759	60,950
		807,611	790,529
17	Appropriation of profit		
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	32,200,632	0
	Retained earnings	0	53,251,003
		32,200,632	53,251,003