Schlumberger Danmark ApS

Tværkaj 2, 6700 Esbjerg

CVR no. 17 37 14 44

Annual report 2016

Approved at the annual general meeting of shareholders on 29 May 2017

Chairman:

Atle Nottveit

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 2016

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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016

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, 29 May 2017
Executive Board

Frank Lind

Board of Directors

Atle Nottvelt
Chairman

Frank Lind

Mads Andersen

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 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Schlumberger Danmark ApS for the financial year 1 January - 31 December 2016, 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 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. 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, 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.

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 the financial statements.

Independent auditor's report

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.
- 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.

Hellerup, 29 May 2017
PRICEWATERHOUSECOOPERS
Statsautoriseret revisionspartnerselskab
CVR no. 33 77 12 31

Ole Tjørnelund Thomsen
State authorised public accountant

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 Mads Andersen Iben Jensen
Executive Board	Frank Lind
Auditors	PricewaterhouseCoopers Statsautoriseret revisionspartnerselskab Strandvejen 44,

Management's review

Financial highlights

DKK	2016	2015	2014	2013	2012
Key figures					
Revenue	628,107,265	748,229,315	593,731,315	356,742,587	321,920,808
Operating profit/loss	93,562,056	38,034,561	103,820,926	36,616,812	31,835,686
Net financials	47,255,637	68,414,351	-6,341,526	20,295,189	-8,925,845
Profit before tax	86,817,693	106,448,912	97,479,400	56,912,001	22,909,841
Profit/loss for the year	65,544,101	96,149,058	73,827,048	49,984,023	16,538,685
Total assets	587,468,068	690,515,813	661,360,438	617,268,200	610,702,454
Investment in property, plant and equipment	8,642,561	26,812,647	23,389,953	22,447,768	35,873,806
Equity	294,574,998	359,030,897	262,881,839	189,054,791	139,070,767
Financial ratios					
Return on assets	14.6%	5.6%	16.2%	6.0%	5.2%
Solvency ratio	50.1%	52.0%	39.7%	30.6%	22.8%
Return on equity	20.1%	30.9%	32.7%	30.5%	12.6%
Average number of employees	142	147	143	121	101

Management's review

Management commentary

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. The 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 & Process - provides exploration and production pressure and flow-rate measurement services both at the surface and downhole. Through its Process Systems offering, Testing & Process provides equipment for the upstream, midstream and downstream separation of oil, gas and produced water and water injection systems.Testing & Process 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.

Schlumberger Danmark ApS is a Schlumberger Group Company. The company has at the financial year-end 2016 subsidiaries in Denmark and Malaysia.

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

Management commentary

Financial review

In 2016, the Company's revenue came in at DKK 628,107,265 against DKK 748,229,315 last year. The income statement for 2016 shows a profit of DKK 65,544,101 against DKK 96,149,058 last year, and the balance sheet at 31 December 2016 shows equity of DKK 294,574,998. The drop in activity and profitability is in line with the expectations.

A drop in revenue and profitability was also seen in Schlumberger Danmark ApS´100% subsidiary M-I Swaco Danmark ApS. This was an impairment indicator, and therefore management prepared an analysis to determine whether the total expected value of the company has decreased below book value. The analysis resulted in a total impairment of DKK 54,000,000 that has been recognized in P&L in 2016.

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. Per 31.12.16 Schlumberger Danmark ApS had drown MDKK 105 on this credit facility. Furthermore the company has a short term payable towards its subsidiary M-I Swaco Danmark ApS, of which MDKK 40 is expected to be settled by offset with the dividend distributed by M-I Swaco Danmark ApS, therefore not requiring any liquidity. Finally, the outline is that the company continues to generate cash in 2017 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 50,1% at year end 2016 compared to 52,0% for the prior year. As a result of the company's operations for the year 2016 the net working capital has increased by MDKK 3.1 to MDKK -71.1.

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. 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.

Management's review

Management commentary

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.

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 not drawn up any CSR report, as the parent has done so for the entire group. The report can be located at the Schlumberger homepage and may be downloaded from this site: http://media.corporate-ir.net/media_files/IROL/97/97513/global_stewardship/index.html.

Account of the gender composition of Management

The ultimate mother 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.

In 2015, we 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."

The company's gender composition has improved in 2016 where 11.5 % (10.2% for 2015) were women. 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. The targeted number of female members in the board for 2016 was one, and the company is happy to have achieved this goal during 2016.

Events after the balance sheet date

No significant events have taken place in 2017 which would have an impact on the company's financial position as at December 2016.

Outlook

In 2017 we expect an activity and profitability on the same level as in 2016 for the company as a whole.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK	2016	2015
3	Revenue	628,107,265	748,229,315
	Cost of sales	-208,082,664	-391,554,704
	Other operating income	1,450,741	1,194,620
	External expenses	-150,924,222	-132,522,631
	Gross margin	270,551,120	225,346,600
4	Staff costs	-160,499,054	-166,986,371
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-16,490,010	-20,325,668
	Profit before net financials	93,562,056	38,034,561
5	Financial income	56,872,048	138,608,440
	Write-down on subsidiary	-54,000,000	0
6	Financial expenses	-9,616,411	-70,194,089
	Profit before tax	86,817,693	106,448,912
7	Tax for the year	-21,273,592	-10,299,854
	Profit for the year	65,544,101	96,149,058

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Goodwill	3,200,000	4,800,000
		3,200,000	4,800,000
9	Property, plant and equipment		
	Plant and machinery	30,326,849	35,426,319
	Other fixtures and fittings, tools and equipment	8,006,868	9,944,112
	Leasehold improvements	4,771,061	5,421,291
	Property, plant and equipment in progress	5,783,429	9,454,261
		48,888,207	60,245,983
10	Investments		
	Investments in group entities, net asset value	313,000,000	367,000,000
	Deposits, investments	971,718	1,198,506
		313,971,718	368,198,506
	Total fixed assets	366,059,925	433,244,489
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	17,479,625	22,947,480
		17,479,625	22,947,480
	Receivables		
	Trade receivables	97,492,129	61,825,129
	Receivables from group entities	38,348,785	65,527,378
	Deferred tax assets	0	227,407
	Income taxes receivable	21,489,000	33,847,853
	Other receivables	1,142,439	2,421,219
11	Prepayments	2,109,384	1,129,304
		160,581,737	164,978,290
	Cash	43,346,781	69,345,554
	Total non-fixed assets	221,408,143	257,271,324
	TOTAL ASSETS	587,468,068	690,515,813

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	20,001,000	20,001,000
	Retained earnings	274,573,998	209,029,897
	Dividend proposed for the year	0	130,000,000
	Total equity	294,574,998	359,030,897
	Provisions		
	Deferred tax	327,230	0
13	Total provisions	327,230	0
	Liabilities		
	Non-current liabilities other than provisions		
	Payables to group entities	105,104,085	0
		105,104,085	0
	Current liabilities		
	Bank debt	12,732,183	0
	Trade payables	32,604,088	85,296,575
	Payables to group entities	78,471,250	202,776,895
	Income taxes payable	20,616,079	11,537,790
	Other payables	34,268,531	30,572,361
14	Deferred income	8,769,624	1,301,295
		187,461,755	331,484,916
	Total liabilities other than provisions	292,565,840	331,484,916
	TOTAL EQUITY AND LIABILITIES	587,468,068	690,515,813

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

Financial statements for the period 1 January - 31 December

Statement of changes in equity

	DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2015	20,000,000	242,881,839	0	262,881,839
	Additions on merger / corporate acquisition	1,000	-1,000	0	0
18	Transfer, see "Appropriation of profit"	0	-33,850,942	130,000,000	96,149,058
	Equity at 1 January 2016	20,001,000	209,029,897	130,000,000	359,030,897
18	Transfer, see "Appropriation of profit"	0	65,544,101	0	65,544,101
	Dividend distributed	0	0	-130,000,000	-130,000,000
	Equity at 31 December 2016	20,001,000	274,573,998	0	294,574,998

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Schlumberger Danmark ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Consolidated financial statements

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

Changes to presentation and disclosures only

Effective 1 January 2016, Schlumberger Danmark Aps has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in the following area:

1. Yearly reassessment of residual values of property, plant and equipment

Re 1: In future, residual values of property, plant and equipment are subject to annual reassessment. The company has no significant residual values relating to property

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 for the period 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 non-current assets.

Raw materials and consumables, etc.

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, which is calculated as cost less any residual value, is amortised 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 for the period 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. 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

Customer contracts are measured at cost less accumulated amortisation and impairment losses.

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 in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

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).

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 at cost in accordance with the FIFO method. 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.

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.

Work in progress for third parties

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

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 for the period 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".

Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

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.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 "Recommendations and Financial Ratios 2015".

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

Return on assets	$\frac{\text{Profit/loss from operating activities x 100}}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

2 Special items

As a result of the drop in activity caused by low oil and gas prices we have considered the investment in our subsidiary to be impaired as explained in the Management Commentary. The impairment is recognized separately in the income statement.

DKK	2016	2015
3 Revenue		
Characterization	276,355,769	245,516,798
Well Intervention	251,912,680	348,470,498
Drilling	94,667,653	140,016,249
Completions	4,989,727	12,220,320
Production	181,436	2,005,450
	628,107,265	748,229,315

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK	2016	2015
4	Staff costs		
	Wages/salaries	127,798,156	132,464,094
	Pensions	8,288,880	8,312,574
	Other staff costs	24,412,018	26,209,703
		160,499,054	166,986,371
	Average number of full-time employees	142	147

Total remuneration to management in 2016 amounted to DKK 1.2m (DKK 2.9m for 2015).

5	Financial income		
	Interest receivable, group enterprises	1,604,067	4,556,267
	Exchange rate gain	9,267,981	69,052,173
	Dividend	46,000,000	65,000,000
		56,872,048	138,608,440
6	Financial expenses		
	Interest expenses, group enterprises	1,004,414	2,877,156
	Exchange rate loss	8,611,997	67,316,933
		9,616,411	70,194,089
7	Tax for the year		
	Estimated tax charge for the year	20,718,979	11,537,790
	Deferred tax adjustments in the year	554,637	-1,237,936
	Tax adjustments, prior years	-24	0
		21,273,592	10,299,854

Financial statements for the period 1 January - 31 December

Notes to the financial statements

8 Intangible assets

DKK	Goodwill
Cost at 1 January 2016	11,200,000
Cost at 31 December 2016	11,200,000
Impairment losses and amortisation at 1 January 2016	6,400,000
Amortisation/depreciation in the year	1,600,000
Impairment losses and amortisation at 31 December 2016	8,000,000
Carrying amount at 31 December 2016	3,200,000

9 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 2016	131,636,994	19,942,791	7,502,847	9,649,994	168,732,626
Additions in the year	7,128,524	1,514,037	0	0	8,642,561
Disposals in the year	-2,848,201	-1,249,065	-7,404	0	-4,104,670
Transfer from other accounts	0	0	0	-3,670,832	-3,670,832
Cost at 31 December 2016	135,917,317	20,207,763	7,495,443	5,979,162	169,599,685
Impairment losses and depreciation at 1 January 2016	96,210,675	9,998,679	2,081,556	195,733	108,486,643
Amortisation/depreciation in the year	11,619,474	2,625,994	644,542	0	14,890,010
Reversal of amortisation/depreciation and impairment of disposals	-2,239,681	-423,778	-1,716	0	-2,665,175
Impairment losses and depreciation at 31 December 2016	105,590,468	12,200,895	2,724,382	195,733	120,711,478
Carrying amount at 31 December 2016	30,326,849	8,006,868	4,771,061	5,783,429	48,888,207

Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Investments

DKK	Investments in group entities, net asset value	Deposits, investments	Total
Cost at 1 January 2016	370,363,144	1,198,506	371,561,650
Disposals in the year	0	-226,788	-226,788
Cost at 31 December 2016	370,363,144	971,718	371,334,862
Value adjustments at 1 January 2016	-3,363,144	0	-3,363,144
Impairment losses	-54,000,000	0	-54,000,000
Value adjustments at 31 December 2016	-57,363,144	0	-57,363,144
Carrying amount at 31 December 2016	313,000,000	971,718	313,971,718

Name	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries				
M-I Swaco Danmark ApS	Danmark	100.00 %	54,651,154	34,790,636
Odegaard Sdn Bhd	Malaysia	100.00 %	0	0

11 Prepayments

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

DKK	2016	2015

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	2016	2015	2014	2013	2012
Opening balance	20,001,000	20,000,000	20,000,000	20,000,000	20,000,000
Capital increase	0	1,000	0	0	0
	20,001,000	20,001,000	20,000,000	20,000,000	20,000,000

Financial statements for the period 1 January - 31 December

Notes to the financial statements

13 Provisions

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.

14 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.

15 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 companies in the Schlumberger group for the total corporation tax.

Schlumberger Danmark ApS is jointly taxed with other Danish group entities and is jointly and severally liable with other jointly taxed group entities for payment of income taxes, taxes on dividends, interest and royalties.

Other financial obligations

Other rent and lease liabilities:

DKK	2016	2015
Rent and lease liabilities	18,710,315	3,870,329

The company has placed guarantees in relation to customer warranties and customs of total 2,533 thousand.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

16 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Schlumberger Ltd.	Willemstad, Curacao	www.slb.com

Related party transactions

Section 98c(7) of the Danish Financial Statements Act is applied regarding related party transactions.

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	2016	2015
17 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	581,207	648,177
Tax advisory services	148,372	171,901
Other services	60,950	182,827
	790,529	1,002,905
18 Appropriation of profit/loss		
Recommended appropriation of profit		
Proposed dividend recognised under equity	0	130,000,000
Retained earnings/accumulated loss	65,544,101	-33,850,942
	65,544,101	96,149,058