

Halliburton Denmark ApS

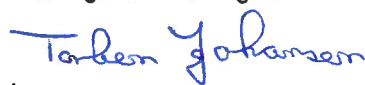
Storstrømsvej 6
6715 Esbjerg
Denmark

CVR no. 19 60 60 74

Annual report 2018

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

7 June 2019



Torben Lass Johansen
chairman

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Financial highlights	6
Operating review	7
Financial statements 1 January – 31 December	10
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Notes	14

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 Halliburton Denmark ApS for the financial year 1 January – 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.


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

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

Esbjerg, 7 June 2019
Executive Board:


Torben Lass Johansen

Board of Directors:


David Alexander Johnston
Chairman


Martin Robert White


Torben Lass Johansen



Independent auditor's report

To the shareholder of Halliburton Denmark ApS

Opinion

We have audited the financial statements of Halliburton Denmark ApS for the financial year 1 January – 31 December 2018 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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' 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.

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.

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.



Independent auditor's report

- 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.

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.

Kolding, 7 June 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Halliburton Denmark ApS
Annual report 2018
CVR no. 19 60 60 74

Management's review

Company details

Halliburton Denmark ApS
Storstrømsvej 6
6715 Esbjerg
Denmark

Telephone: +45 79 14 54 00
Fax: +45 79 14 54 10
Website: Halliburton.com

CVR no.: 19 60 60 74
Financial year: 1 January – 31 December

Board of Directors

David Alexander Johnston, Chairman
Martin Robert White
Torben Lass Johansen

Executive Board

Torben Lass Johansen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
DK-6000 Kolding
Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Gross profit/loss	-24,319	-28,283	34,418	59,204	57,658
Operating profit/loss	-49,601	-22,406	31,715	25,157	26,208
Profit/loss from financial income and expenses	-11,070	4,148	7,354	-7,606	-9,945
Profit/loss for the year	-61,037	-20,853	31,110	13,637	12,849
Fixed assets	100,518	55,721	92,528	130,675	121,692
Current assets	63,179	35,470	148,894	186,452	163,283
Total assets	163,697	91,191	241,422	317,127	284,975
Equity	-50,067	10,970	180,591	149,481	135,844
Current liabilities other than provisions	213,152	77,391	52,215	161,023	144,292
Investment in property, plant and equipment	104,349	31,649	34,213	48,170	98,723
Ratios					
Current ratio	29.64%	45.83%	285.16%	115.79%	12.75%
Return on equity	156.12%	-22.77%	18.85%	9.80%	9.60%
Solvency ratio	-30.59%	12.02%	74.80%	47.00%	47.60%
Average number of full-time employees	44	34	80	103	86

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Current ratio

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Return on equity

$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio

$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities

Halliburton Denmark ApS' principal activities comprise establishment and stimulation of oil and gas wells in the Danish North Sea sector.

Unusual circumstances

Due to the downturn in the industry rig count/ activity for Denmark sector is heavily reduced compared to prior years. To adapt to the situation cost reduction efforts (reduction in force, sale of assets to other areas, outsourcing Support Functions to other Halliburton entities etc.) were taken.

After Halliburton Denmark won the coil tubing contract there was a high demand for personnel and equipment resulting in headcount and fixed assets transfers increase.

Financial review

At 31 December 2018, equity amounted to a negative of DKK 50,067 thousand. The Company has lost its equity and is therefore covered by the rules in the Danish Companies Act regarding loss of capital. It is expected that equity can be reestablished over own earnings, alternatively by a capital injection. The Parent Company, Halliburton Company GmbH, Germany has undertaken to financially support the Company in the 2019 financial year. During the same period, the Group will not require any repayment unless all other creditors of Halliburton Denmark ApS have been settled.

Development in activities and financial position

Halliburton Denmark ApS won a TOTAL (previously Maersk) 5 years coil tubing contract generating approx. 154M DKK per year. Expecting an increase in profit in 2019 and following years as in 2018 the new purchased (or rented) equipment and outside personnel utilized to accommodate the increased activities resulted in decreased profit margin.

Profit/loss for the year (including comparison with forecasts previously announced)

The Company's income statement for 2018 shows a loss of DKK 61,037 thousand as against DKK 20,853 thousand for 2017. The results for the year are negatively affected by depreciation of new equipment purchased from group, high rented equipment, materials and outside personnel cost.

Equity in the Company's balance sheet at 31 December 2018 stood at a negative of DKK 50,067 thousand as against a negative of DKK 10,970 thousand last year.

The operating result is lower than expected also due to still difficult market conditions and pressure on pricing in addition to the currency exchange rate challenge vis-à-vis the US dollars.

Investments

No major investments were made in 2018 other than investments related to intra-group transfers of production equipment.

Capital resources

The solvency ratio of the Company accounted for a negative of 30.59% (2017: 12.02%).

Management's review

Operating review

Outlook

Due to the won TOTAL (previously Maersk) 5 years contract we expect the activity and the revenue in 2019 to increase to approx. 190M DKK at higher profitability as "start up" expenses occurred in 2018 already.

Particular risks

Operational risks

The Company's major risks relate to potential claims from its main activities. The Halliburton Group is a world leading and recognised supplier of services for oil and gas wells, and there is much focus on delivering high-quality services and products.

The Company's services to customers are performed in challenging environments that can be dangerous. Catastrophic events such as a well blowout, fire or explosion can occur, resulting in property damage, personnel injury, death, pollution and environmental damage. Agreements with certain customers require them to indemnify us for these types of events and any resulting damage or injuries (except in some cases, claims by our employees, loss or damage to our property and any pollution emanating directly from our equipment). The Company will be exposed to significant potential losses should such catastrophic events occur.

Currency risks

The Company's functional currency is DKK. However, the majority of costs as well as intragroup and intercompany accounts are settled in USD. The Company is therefore exposed to USD/DKK currency fluctuations. The risk is managed centrally for the entire Halliburton Group, and it is group policy not to provide any hedging to the individual group companies.

Credit risks

The Company is exposed to credit risks in the ordinary course of business.

All new customers are credit rated when signing new contracts.

Based on experience and the customer's portfolio, the credit risk of the Company is acceptable.

Corporate social responsibility

The Company is covered by the Halliburton Group's ethical guidelines and rules for corporate social responsibility, including climate and human rights. Therefore, the Company has decided not to prepare a separate report on Corporate Social Responsibility.

Reference is made to Halliburton Group's Corporate Sustainability report for 2018 for a comprehensive description of policies, activities and results.

The Corporate sustainability report is available at:

<https://www.halliburton.com/content/dam/halliburton/public/pubdata/sd/2018-annual-sustainability-report.pdf>.

Management's review

Operating review

Goals and policies for the underrepresented gender

Halliburton strives to foster a culture that is free from discrimination. This is one of the main points of our ethical rules. Halliburton Denmark currently has many nationalities across all cultures working in Denmark.

Halliburton is committed to giving men and women equal opportunities in an industry that has a preponderance of male employees. There are no special measures implemented to promote equality, as the Company considered it unnecessary.

The Board of Directors consists of three females. Accordingly, the goal has been achieved.

The leadership team consists of several females, still though the goal is to have the number of females in the leadership team increased.

The proportion of women in the organization receives a high degree of focus and this will be taken into consideration when new additions to the board and leadership are relevant.

Environmental matters

Our objective is that the Company should not have any negative impact on the environment. This is embodied in the Company's HSE policy.

Chemicals are used in production which can be hazardous to the environment if not handled properly. Necessary safety precautions have been taken, and the Company has an ongoing dialogue with local environmental authorities. Any incidents are immediately reported and followed up on.

Research and development activities

The Company does not have its own research and development activity. Such activities are handled by other companies in the organisation.

Intellectual capital

Competent and trained employees are crucial to the Company's operations. Employees therefore attend relevant training programs (instructor led and / or online) and are supported by group functions.

Events after the balance sheet date

There have been no events after the balance sheet date significantly affecting the financial position of the Company.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Gross profit/loss		-24,319	-28,283
Distribution costs		-6,034	-2,393
Administrative expenses		-25,725	-8,889
Other operating income	3	6,477	17,159
Operating profit/loss		-49,601	-22,406
Financial income	4	0	859
Financial expenses	5	-11,070	-5,007
Profit/loss before tax		-60,671	-26,554
Tax on profit/loss for the year	6	-366	5,701
Profit/loss for the year		-61,037	-20,853

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Property, plant and equipment	8		
Land and buildings		13,460	13,945
Property, plant and equipment under construction		28,713	1,369
Plant and machinery		56,530	38,805
Fixtures and fittings, tools and equipment		<u>1,362</u>	<u>1,149</u>
		<u>100,065</u>	<u>55,268</u>
Investments	9		
Deposits		<u>453</u>	<u>453</u>
Total fixed assets		<u>100,518</u>	<u>55,721</u>
Current assets			
Inventories			
Raw materials and consumables		<u>16,948</u>	<u>3,391</u>
Receivables			
Trade receivables		40,826	6,728
Receivables from group entities		3,100	24,031
Other receivables		697	1,043
Corporation tax		1,417	0
Prepayments	10	<u>191</u>	<u>277</u>
		<u>46,231</u>	<u>32,079</u>
Total current assets		<u>63,179</u>	<u>35,470</u>
TOTAL ASSETS		<u><u>163,697</u></u>	<u><u>91,191</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital	11	600	600
Retained earnings		<u>-50,667</u>	<u>10,370</u>
Total equity		<u>-50,067</u>	<u>10,970</u>
Provisions			
Provisions for deferred tax	12	0	2,221
Other provisions		<u>612</u>	<u>609</u>
Total provisions		<u>612</u>	<u>2,830</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Banks, current liabilities		0	51
Trade payables		19,892	2,320
Payables to group entities		184,517	62,800
Corporation tax		0	5,567
Other payables		<u>8,743</u>	<u>6,653</u>
		<u>213,152</u>	<u>77,391</u>
Total liabilities other than provisions		<u>213,152</u>	<u>77,391</u>
TOTAL EQUITY AND LIABILITIES		<u>163,697</u>	<u>91,191</u>
Fees to auditor appointed at the general meeting			
Contractual obligations, contingencies, etc.	13		
Related party disclosures	14		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2018	600	10,370	10,970
Transferred over the distribution of loss	0	-61,037	-61,037
Equity at 31 December 2018	600	-50,667	-50,067

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Halliburton Denmark ApS for 2018 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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 cash flow statement in the consolidated financial statements of Halliburton Company GmbH, Germany.

Omission of the disclosure of audit fee

Pursuant to section 96(3) of the Danish Financial Statements Act, no note on audit fee has been prepared. The audit fee is recognised in the consolidated financial statements of Halliburton Company GmbH.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods, comprising the sale of goods for resale, finished goods and services to the offshore industry, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received.

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

Production costs

Production costs comprise costs incurred in generating revenue for the year. Such costs include direct and indirect costs of raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Distribution costs

Costs incurred in distributing goods sold and in conducting sales campaigns as well as travelling expenses, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff are recognised as distribution costs.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Administrative expenses

Administrative expenses comprise expenses incurred during the year for company management and administration, including expenses for administrative staff, management, office premises and office expenses and depreciation.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to profit/loss for the year is recognised in the income statement, and the tax expense relating to equity is recognised directly in equity.

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish tax subjects. The subjects are included in the joint taxation from the date on which they are included in the consolidated financial statements at group level and up to the date when they are excluded from the consolidation.

The Company is the administrative company under the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable profit.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools 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.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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:

Land and buildings	25 - 40 years
Plant and machinery	3 -15 years
Fixture and fittings, tools and equipment	3 -12 years

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

Land is not depreciated.

Fixed 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.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Leases

On initial recognition, leases for non-current assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently treated as the Company's other non-current assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

Impairment of fixed assets

The carrying amount of property, plant and equipment is subject to an 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 flow from the use of the asset or the group of assets including expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at weighted average cost. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

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.

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 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.

Provisions

Provisions comprise anticipated costs of restoration. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

When it is probable that total costs will exceed total income from a construction contract, the total projected loss on the work is recognised as a provision. The provision is recognised as production costs.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Notes

2 Staff costs

DKK'000	2018	2017
Wages and salaries	35,505	26,845
Pensions	2,674	2,077
Other staff costs	647	586
	<u>38,826</u>	<u>29,508</u>

Wages and salaries, pensions and other social security costs are recognised as follows:

Production costs	34,633	26,321
Distribution costs	1,861	1,414
Administrative expenses	2,332	1,773
	<u>38,826</u>	<u>29,508</u>

Average number of full-time employees	<u>44</u>	<u>34</u>
---------------------------------------	-----------	-----------

According to Section 98 b of the Danish Financial Statements Act, remuneration etc., of the Board of Directors has not been disclosed. The Board of Directors does not receive any remuneration.

3 Other operating income

Other operating income for 2018 is represented by gain on disposal of fixed assets amounting to DKK 6,477 thousand.

DKK'000	2018	2017
---------	------	------

4 Financial income

Interest income from group entities	<u>0</u>	<u>859</u>
-------------------------------------	----------	------------

5 Financial expenses

Interest expense to group entities	2,824	342
Other financial costs	127	34
Exchange losses	8,119	4,631
	<u>11,070</u>	<u>5,007</u>

Financial statements 1 January – 31 December

Notes

DKK'000	2018	2017			
6 Tax on profit/loss for the year					
Deferred tax for the year	-2,221	-5,791			
Adjustment of tax concerning previous years	2,587	0			
Other taxes	0	90			
	<u>366</u>	<u>-5,701</u>			
7 Proposed distribution of loss					
Retained earnings	<u>-61,037</u>	<u>-20,853</u>			
8 Property, plant and equipment					
DKK'000	Land and buildings	Property, plant and equipment under construction	Plant and machinery	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2018	15,660	1,369	122,662	4,184	143,875
Additions for the year	0	28,036	75,588	2,396	106,020
Disposals for the year	0	0	-51,072	-3,463	-54,535
Transfers for the year	0	-692	781	-90	-1
Cost at 31 December 2018	<u>15,660</u>	<u>28,713</u>	<u>147,959</u>	<u>3,027</u>	<u>195,359</u>
Depreciation and impairment losses at 1 January 2018	-1,715	0	-83,857	-3,035	-88,607
Depreciation of additions	0	0	33,279	2,425	35,704
Depreciation for the year	<u>-485</u>	<u>0</u>	<u>-40,851</u>	<u>-1,055</u>	<u>-42,391</u>
Depreciation and impairment losses at 31 December 2018	<u>-2,200</u>	<u>0</u>	<u>-91,429</u>	<u>-1,665</u>	<u>-95,294</u>
Carrying amount at 31 December 2018	<u>13,460</u>	<u>28,713</u>	<u>56,530</u>	<u>1,362</u>	<u>100,065</u>
DKK'000	31/12 2018	31/12 2017			
Depreciation costs are recognised as follows:					
Production costs	42,392	28,116			

Financial statements 1 January – 31 December

Notes

9 Investments

DKK'000	<u>Deposits</u>
Cost at 1 January 2018	<u>453</u>
Cost at 31 December 2018	<u>453</u>
Carrying amount at 31 December 2018	<u><u>453</u></u>

10 Prepayments

DKK'000	<u>31/12 2018</u>	<u>31/12 2017</u>
Prepayments	<u>191</u>	<u>277</u>
	<u>191</u>	<u>277</u>

11 Equity

The contributed capital consists of 6,000 shares of DKK 100 each. All shares carry the same voting rights.

12 Provisions

DKK'000	<u>Deferred tax</u>	<u>Other provisions</u>	<u>Total</u>
Provision at 1 January	2,221	609	2,830
Additions / Disposals	-2,221	3	-2,218
Provision at 31 December	0	612	612

13 Contractual obligations, contingencies, etc.

Contingent liabilities

Lease obligations (operating leases) falling due within 5 years total DKK 20,054 thousand (2017: DKK 15,579 thousand).

Halliburton Denmark ApS is jointly taxed with the Danish activities of Halliburton Manufacturing And Services Limited. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc. may entail an increase in the entities' liability.

Financial statements 1 January – 31 December

Notes

14 Related party disclosures

Halliburton Denmark ApS' related parties comprise the following:

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

Ownership

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

Halliburton Company GmbH, Celle, Germany, holds the entire share capital. The ultimate parent company is Halliburton Company, Houston, USA.

The consolidated financial statements are available on the Company's website, www.halliburton.com.