

Halliburton Denmark ApS

Storstrømsvej 6
6715 Esbjerg
Denmark

CVR no. 19 60 60 74

Annual report 2016

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

31/05 2017

Audun Bjordan
chairman



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	6
Company details	6
Financial highlights	7
Operating review	8
Financial statements 1 January – 31 December	
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Notes	15

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 2016.

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 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, 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.

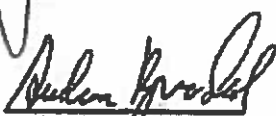
Esbjerg, 31 May 2017

Executive Board:



Sinto Cuda

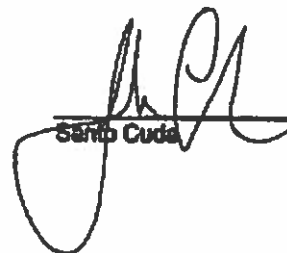
Board of Directors:



Audun Bjørnsen
Chairman



Heiga Colgrove



Sinto Cuda



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 2016 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 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.

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.



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other



Independent auditor's report

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

Aarhus, 31 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant

Mikkel Trabjerg Knudsen
State Authorised
Public Accountant

Halliburton Denmark ApS
Annual report 2016
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
Established: 1 July 1996
Registered office: Esbjerg
Financial year: 1 January – 31 December

Board of Directors

Audun Bjordal, Chairman
Helga Cotgrove
Santo Cuda

Executive Board

Santo Cuda

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
8210 Aarhus V
Denmark

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	392,019	555,343	483,125	451,317	291,692
Operating profit/loss	31,715	25,157	26,208	2,397	-2,523
Profit/loss from financial income and expenses	7,354	-7,606	-9,945	-10,000	-402
Profit/loss for the year	31,110	13,637	12,849	-5,741	-2,172
Fixed assets					
Fixed assets	92,528	130,675	121,692	102,428	0
Current assets					
Current assets	148,894	186,452	163,283	343,165	98,904
Current liabilities other than provisions					
Current liabilities other than provisions	52,215	161,023	144,291	319,000	77,000
Ratios					
Gross margin	8.78%	10.66%	11.93%	8.48%	0.00%
Operating margin	8.09%	4.53%	5.42%	0.53%	-0.86%
Current ratio	285.16%	115.79%	12.75%	8.35%	14.60%
Return on equity	18.85%	9.80%	9.60%	-4.90%	-0.50%
Solvency ratio	74.80%	47.00%	47.70%	27.60%	83.10%
Average number of full-time employees					
Average number of full-time employees	80	103	97	86	71

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". The financial ratios have been calculated as follows:

Gross margin
$$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$$

Operating margin
$$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$$

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

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

Management's review

Operating review

Principal activities

Halliburton Denmark ApS' principal activities comprise the 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, the Denmark sector was heavily reduced during the second half of 2016, which will significantly affect the activity level in 2017 compared to prior years. Measures have been taken to reduce costs accordingly to adapt to the situation (reduction in force, sale of assets to other areas with activity, etc.).

Development in activities and financial position

Profit/loss for the year

Profit for the year amounts to DKK 31,110 thousand (2015: DKK 13,637 thousand). Profit for the year is positively affected by gain on disposals of fixed assets amounted to DKK 24,719 thousand.

In 2016, the Company's activities with regards to revenue were influenced by the decrease in the number of projects as well as the number of rigs decreased twice. One of the important customers decided to suspend its drilling activities in Danish waters, which also negatively affected revenue for 2016. Operating profit was lower than expected due to the difficult market conditions, price pressure and the currency exchange rate challenge vis-à-vis the US dollars.

Investments

No major investments were made in 2016 other than investments related to group internal transfers of production equipment.

Capital resources

The solvency ratio of the Company accounts for 74.8% (2015: 47.0%).

Outlook

Due to the current market condition and major customers' decision to suspend their drilling activities in Danish waters, 2017 results are expected to be down on 2016.

Management's review

Operating review

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 services the Company provide to its 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 and intragroup 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 hedge 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 and gender diversity

The Company is covered by the Halliburton Group's ethical guidelines and rules for corporate social responsibility, including climate, environment 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 2016 for a comprehensive description of policies, activities and results.

The Corporate sustainability report is available at (<http://www.halliburton.com/en-US/about-us/sustainability/default.page?node-id=hgeyxt7i>).

Management's review

Operating review

Gender diversity of the Board of Directors and other management bodies

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 from different cultures working in Denmark.

Halliburton is committed to giving men and women equal opportunities in an industry that has a preponderance of male employees.

The Board of Directors consists of three directors; whereof one is female. There is no need to define a goal based on the current composition of the Board of Directors.

The leadership team consists of four individuals; whereof one is female.

The proportion of women in the organisation receives a high degree of focus through internal management development programmes; and this will be taken into consideration when new additions to the leadership team are relevant. The goal is to have two females on the leadership team in 2017/18.

Intellectual capital

Competent and trained employees are crucial to the Company's operations. Employees therefore attend relevant training programmes and are supported by group functions.

Research and development activities

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

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	2016	2015
Revenue	2	392,019	555,343
Production costs	3	-357,601	-496,139
Gross profit		34,418	59,204
Distribution costs	3	-7,701	-11,108
Administrative expenses	3	-19,721	-29,052
Other operating income	4	24,719	6,113
Operating profit		31,715	25,157
Financial income	5	7,402	175
Financial expenses	6	-48	-7,781
Profit before tax		39,069	17,551
Tax on profit for the year	7	-7,959	-3,914
Profit for the year		31,110	13,637

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Fixed assets			
Property, plant and equipment	8		
Land and buildings		14,649	13,380
Property, plant and equipment under construction		1,383	895
Plant and machinery		75,277	114,798
Fixtures and fittings, tools and equipment		430	762
		<u>91,739</u>	<u>129,835</u>
Other non-current assets	9		
Deposits		789	840
		<u>789</u>	<u>840</u>
Total fixed assets		<u>92,528</u>	<u>130,675</u>
Current assets			
Inventories			
Raw materials and consumables		5,927	29,003
		<u>5,927</u>	<u>29,003</u>
Receivables	10		
Trade receivables		14,475	92,584
Receivables from group entities		126,955	62,002
Other receivables		730	1,906
Prepayments		807	957
		<u>142,967</u>	<u>157,449</u>
Total current assets		<u>148,894</u>	<u>186,452</u>
TOTAL ASSETS		<u>241,422</u>	<u>317,127</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	11		
Share capital		600	600
Retained earnings		179,991	148,881
Total equity		180,591	149,481
Provisions	12		
Deferred tax		8,012	6,623
Other provisions		604	0
Total provisions		8,616	6,623
Liabilities other than provisions			
Current liabilities other than provisions	13		
Amounts owed to credit institutions		55	2,093
Trade payables		6,025	12,691
Payables to group entities		16,392	116,015
Corporation tax		6,587	822
Other payables		23,156	28,253
Deferred income	14	0	1,149
		52,215	161,023
Total liabilities other than provisions		52,215	161,023
TOTAL EQUITY AND LIABILITIES		241,422	317,127
Mortgages and collateral	17		
Fees to auditor appointed at the general meeting	15		
Contractual obligations, contingencies, etc.	16		
Related party disclosures	18		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2016	600	148,881	149,481
Transferred over the profit appropriation	<u>0</u>	<u>31,110</u>	<u>31,110</u>
Equity at 31 December 2016	<u>600</u>	<u>179,991</u>	<u>180,591</u>

There have been no changes in the share capital during the last five years.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

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

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

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

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.

Income statement

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

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Prepayments and deferred income

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Financial liabilities

Financial liabilities, comprising trade payables, amounts owed to group enterprises as well as other payables, are measured at amortised cost, which usually corresponds to the nominal value.

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.

Segment information

Information is provided on business segments and geographical markets. Segment information is based on the Company's accounting policies, risks and internal financial management.

Segment liabilities comprise liabilities resulting from the operating activities of the segment, including trade payables and other payables.

Financial statements 1 January – 31 December

Notes

2 Information on segments

Activities - primary segment

The Company's sale of goods primarily relates to two segments: Completion and production (C&P) and Drilling and evaluation (D&E).

Activities – primary segment

DKK'000	C&P	D&E	Total
2016			
Revenue	140,529	251,490	392,019
2015			
Revenue	255,458	299,885	555,343

Geographical - secondary segment

The Company's sale of goods and services relate to Denmark.

3 Staff costs

DKK'000	2016	2015
Wages and salaries	77,354	89,316
Pensions	4,424	5,126
Other staff costs	534	2,953
	<u>82,312</u>	<u>97,395</u>

Wages and salaries, pensions and other social security costs are recognised in the following items:

Production costs	73,340	85,714
Distribution costs	3,109	3,185
Administrative expenses	5,863	8,496
	<u>82,312</u>	<u>97,395</u>
Average number of full-time employees	<u>80</u>	<u>103</u>

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

Financial statements 1 January – 31 December

Notes

4 Other operating income

Other operating income for 2016 is mainly represented by the gain on disposals of fixed assets amounting to DKK 24,719 thousand.

DKK'000	2016	2015
5 Financial income		
Interest income from group entities	1,213	130
Foreign exchange gains	6,188	0
Other interest income	1	45
	<u>7,402</u>	<u>175</u>
	<u><u>7,402</u></u>	<u><u>175</u></u>
6 Financial expenses		
DKK'000	2016	2015
Interest expense to group entities	0	81
Foreign exchange losses	0	7,429
Other financial expenses	48	271
	<u>48</u>	<u>7,781</u>
	<u><u>48</u></u>	<u><u>7,781</u></u>
7 Tax on profit for the year		
Current tax for the year	7,229	2,230
Deferred tax for the year	1,389	1,785
Adjustment of tax concerning previous years	-684	-101
Other taxes	25	0
	<u>7,959</u>	<u>3,914</u>
	<u><u>7,959</u></u>	<u><u>3,914</u></u>

Financial statements 1 January – 31 December

Notes

8 Property, plant and equipment

DKK'000	Plant and machinery	Land and buildings	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2016	230,388	13,786	7,093	895	252,162
Additions	31,398	1,574	16	1,225	34,213
Transferred	437	300	0	-737	0
Disposals	-100,484	0	-1,618	0	-102,102
Cost at 31 December 2016	161,739	15,660	5,491	1,383	184,273
Depreciation 1 January 2016	-115,590	-406	-6,331	0	-122,327
Depreciation	-31,385	-605	-348	0	-32,338
Disposals	60,513	0	1,618	0	62,131
Depreciation and impairment losses at 31 December 2016	-86,462	-1,011	-5,061	0	-92,534
Carrying amount at 31 December 2016	75,277	14,649	430	1,383	91,739

DKK'000	2016	2015
Depreciation is recognised as follows:		
Production costs	32,338	27,274

9 Other non-current assets

DKK'000	2016	2015
Cost at 1 January	840	1,042
Disposals	-51	-202
Cost at 31 December	789	840

10 Prepayments

Prepayments primarily consists of prepaid rent.

11 Equity

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

Financial statements 1 January – 31 December

Notes

12 Provisions

Other provisions relate to the obligation for assets restoration.

DKK'000	Deferred tax	Other provisions	Total
Provision 1 January	6,623	0	6,623
Provision for the year recognised in the income statement	1,389	604	1,993
Provision at 31 December	8,012	604	8,616

Deferred tax relates primarily to property, plant and equipment.

13 Other payables

Other payables comprise accrued wages, tax and social security and discounts payable to customers.

14 Deferred income

Deferred income comprise payments received from customers which cannot be recognised until the subsequent financial year.

15 Contractual obligations, contingencies, etc.

Contingent liabilities

Lease obligations (operating leases) falling due within 20 years total DKK 31,812 thousand (2015: DKK 34,647 thousand).

Halliburton Denmark ApS is jointly taxed with the Danish activities of Halliburton Norge AS and 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 and increase in the entities liability.

Financial statements 1 January – 31 December

Notes

16 Currency and interest rate risks and the use of derivative financial instruments

As at 31 December 2016, the Company's currency risk is mainly originated on accounts receivables and accounts payables from group entities denominated in US dollars with the net position exposure of DKK 107,934 thousand.

The Company is not facing any interest rate risk as well as does not use derivative financial instruments in 2016.

17 Fee to auditors appointed at the general meeting

DKK'000	2016	2015
Total fees to KPMG		
Audit fee	178	178
Tax advisory services	50	50
Other services	164	44
	<u>392</u>	<u>272</u>

18 Related party disclosures

Halliburton Denmark ApS' related parties comprise the following:

Ownership

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.

Parties exercising control

Halliburton Denmark ApS' related parties exercising control comprise companies in the Halliburton Group and the Companies Board of Directors and Executive boards as well as executive employees and their family members. Further, related parties comprise companies in which the above persons have substantial interests.

Parent Company

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.